

Know How **Key Terms** Determine Your Social Security Benefits

Average Indexed Monthly Earnings (AIME)	Dollar amount used to calculate your Social Security benefit. Years of past earnings are adjusted for cost-of-living increases by index factors.
Application for Benefits	Social Security benefits are not automatic. To receive Social Security benefits, an application must be made.
Base Years	Years after 1950 up to the year of retirement. For survivor claims, base years include year of death.
Computation Years	Highest 35 years of earnings. Years with no earnings count as zero.
Credits	Previously called “quarters of coverage.” One credit is earned for a specific dollar amount. A maximum of four credits can be earned in a calendar year. Forty credits are needed to qualify for retirement benefits. Depending on year of birth, less than 40 credits are needed for survivor and disability benefits.
Delayed Retirement Credits	Applies to full retirement age up to age 70. Credits are earned, 8% per year (prorated monthly) with a maximum of 32%.
Early Retirement	Retirement benefits started before full retirement age will be permanently reduced. Earliest retirement age is 62.
Excess Earnings Limit	Social Security benefits may be reduced or eliminated for beneficiaries who have earned income. For those under full retirement age, one dollar in benefits is “lost” for every two dollars in earnings over a threshold. (Thresholds are subject to annual cost-of-living adjustment.) For the year of full retirement age, up until the month of attaining full retirement age, one dollar in benefits is “lost” for every three dollars over a higher threshold. Benefits “lost” due to excess earnings prior to full retirement age will be restored at full retirement age resulting in an increase in benefits.
Ex-Spouse	For retirement benefit, must be at least age 62, married to worker for at least 10 years, not remarried. Worker must be at least age 62 but need not be receiving Social Security benefits. For survivor benefits, must be at least age 60, married for at least 10 years, not remarried before age 60.
Family Benefits	For survivor benefits the maximum for a surviving spouse and each eligible child is 75% of the worker’s PIA. For retirement benefits, the maximum for a spouse at full retirement age and each eligible child is 50%. A family maximum may reduce this amount.
Full Retirement Age	Age at which retirement benefits are not reduced. For workers born 1943-1954, it is 66 years. For workers born 1960 and later, it is 67 years.
Government Pension Offset	Applies to spouse/widow Social Security benefits if spouse/widow is receiving a pension from federal, state, or local government based on work where no Social Security taxes were paid. Social Security benefit is reduced by two-thirds of government pension. GPO could eliminate Social Security benefit.

Insured Status	Fully insured means being eligible for Social Security retirement, disability, and survivor benefits (40 credits). Currently insured provides benefits for younger workers who have less than 40 credits to qualify for survivor and disability (but not retirement) benefits.
Maximum Earnings Cap	The maximum amount of earned income Social Security uses to calculate benefits. Amounts in excess will not increase benefits. This amount is subject to cost of living adjustment.
Month of Election	In certain situations, you can choose the month benefits start. Usually applies to retirement claims.
Normal Retirement Age	See Full Retirement Age.
Payment Dates	Based on birthday. For those born on the 1st through the 10th of the month, payment is on the second Wednesday of the month; born on the 11th through the 20th, the third Wednesday; born after the 20th, the fourth Wednesday.
Primary Insurance Amount (PIA)	The monthly amount payable at full retirement age. Early, late and dependent benefits are calculated from this amount.
Quarter of Coverage	See Credits.
Retroactive Benefits	You may be entitled to monthly benefits before the month of filing an application. There is a maximum look-back period.
Spousal Benefit	Based on a working spouse's work record. The working spouse must file before benefits are available. For retirement benefit, must have been married at least one year and be at least age 62. For survivor benefit, must have been married at least 9 months and be at least age 60.
Taxable Social Security	"Provisional Income" calculation typically includes adjusted gross income plus tax-exempt interest income plus one-half of Social Security benefit.
Windfall Elimination Provision	Applies if worker has 40 Social Security credits and a pension from an employer who did not withhold Social Security taxes, such as a government agency. Could reduce but not eliminate Social Security retirement benefits.

For specific Social Security benefit amounts, contact the Social Security Administration. or visit [SSA.gov](https://www.ssa.gov).

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Sources: Social Security Administration and Internal Revenue Code, April 2024.

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