

Section 5.4

**Social Security** In Exercises 23–30, use the information below.

Joe and Carolyn have been married for 45 years. In 2010, Joe retired at his full retirement age, 66. During his last year of employment, Joe had an income of \$58,000. The Social Security Administration calculates that Joe's average indexed monthly earnings (AIME) is \$3226.

23. During his last year of employment, how much should Joe have paid in Social Security tax?
24. During his last year of employment, how much should Joe have paid in Medicare tax?
25. Use the Social Security benefit formula on page 241 to estimate Joe's primary insurance amount (PIA).
26. Suppose Joe retired at age 62. How long would Joe have to live to make waiting for full benefits more economical? Assume a 3% cost-of-living increase each year.
27. Carolyn has always been a homemaker and has never paid Social Security tax. Will she qualify for Social Security retirement benefits? Explain.
28. Use the Internet to research qualifications for survivors benefits through Social Security. Suppose Joe dies before Carolyn. Will Carolyn qualify for survivors benefits? Explain.
29. How might the economic dependency ratio affect Joe's retirement benefits in the future?
30. How might the economic dependency ratio affect the qualifications for Social Security retirement benefits in the future?

Retirement Benefits

A person qualifies for Social Security retirement benefits by earning credits when he or she works and pays Social Security tax. The credits are based on the amount of a worker's earnings. In 2011, a worker received 1 credit for each \$1120 of earnings, up to the maximum of 4 credits per year. A worker born in 1929 or later needs 40 credits (10 years of work) to be eligible for retirement benefits.