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The Right Way
to Invest

Social Security: A Retirement Income Cornerstone

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You and Social Security

The Social Security Magical Age

The magical age for Social Security benefits is full retirement age (FRA), currently 66 years and gradually increasing based on date of birth. At FRA, you're eligible to:

- Receive 100% of your retirement benefit.
- Keep working without an earnings limit and still receive 100% of your retirement benefit. If you start collecting before FRA and continue to work, Social Security withholds \$1 in benefits for every \$2 you earn over the earnings limit. Likewise, during the year you reach FRA, Social Security withholds \$1 in benefits for every \$3 you earn over the limit until the month of your birthday. For more details, visit www.ssa.gov to download "How Work Affects Your Benefits."
- Use special claiming options if you're married or divorced (if qualified) such as spousal benefit, file and suspend, and restricted application. These options may help you increase your Social Security payments markedly.

Full Retirement Age Based on Birth Year

Full retirement age, the age when you are eligible for 100% of your retirement benefit, has been increasing since 1983. As the table at right shows, for people born

between 1943 and 1954, 66 is the magic age. For each year after 1954, full retirement age increases by two months. For people born in 1960 or later, full retirement age is 67.

| Year of Birth | Full Retirement Age |
|---------------|---------------------|
| 1943–1954 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960+ | 67 |

Claiming Ages

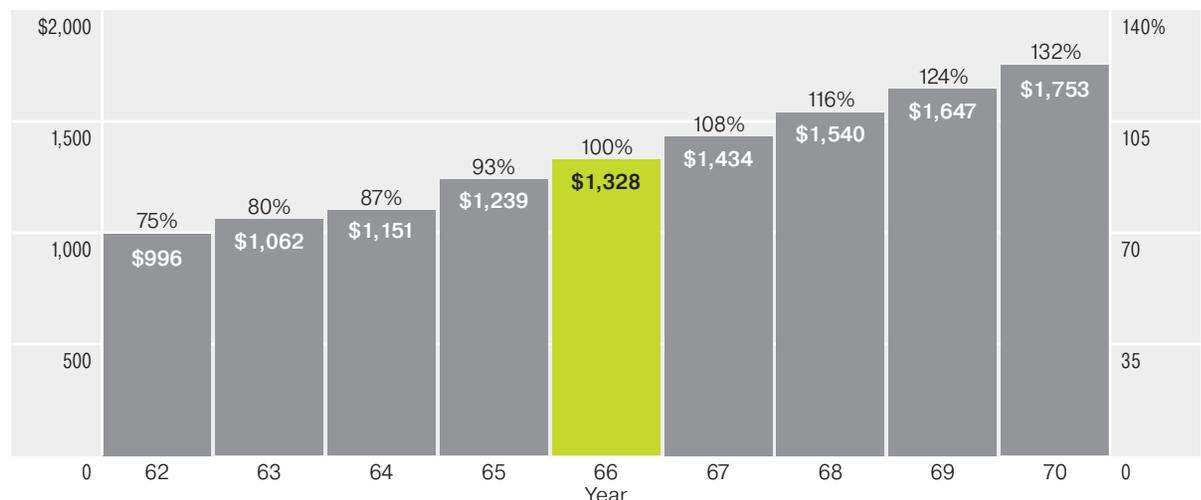
You can claim Social Security benefits as early as age 62 or wait until you're 70. If you claim early, your monthly payment will be reduced. For every year you wait after age 66 (up to age 70), you gain an 8% delayed retirement credit. If you wait till you're 70, your monthly payment will be 132% of the age 66 benefit. **See Chart 1** ▼

Many investors postpone claiming Social Security until after FRA to earn the 8% delayed retirement credit and use other income sources to bridge the gap.

Chart 1

Monthly Payments by Claiming Ages

Average Illustrative FRA Monthly Payment¹



1. For illustrative purposes only. Individual benefits will vary based on earnings history and other factors. Examples in the graphs do not reflect cost of living adjustments (COLA) or inflation. According to ssa.gov, \$1,328 was the average monthly Social Security benefit for a retired worker in January 2015. The percentages and amounts in the graphs are from http://socialsecurity.gov/OACT/ProgData/ar_drc.html.

Patience May Pay Off

When you choose to start receiving benefits can make a big difference. **See Chart 2** ▼ For example:

- Marie begins collecting at age 62 and permanently reduces her monthly payment by 25%. By the time she's 86, she'll collect about \$287,000.
- Bill decides to start at his full retirement age and receives 100% of his benefit. By the time he's 86, he'll collect around \$319,000.
- Sophie maximizes her benefit to 132% by waiting to claim at age 70. In 16 years when she's 86, her total benefits will add up to nearly \$337,000.

Whether you're thinking about collecting Social Security as early as age 62, waiting until your FRA or delaying until you're 70, it's a good idea to talk it over with your financial advisor and consider how your decision could affect your finances during retirement.

Your Social Security Statement of Benefits

Your personalized Social Security statement contains information to help with retirement planning. If you're over age 60 and have not elected benefits, you'll receive a paper statement in the mail. Your statement includes:

- Your estimated monthly Social Security benefits at ages 62, 66 and 70.
- Family Survivor benefit estimates.
- Your historical earnings record. Be sure to carefully review your earnings because they determine your benefit amount.

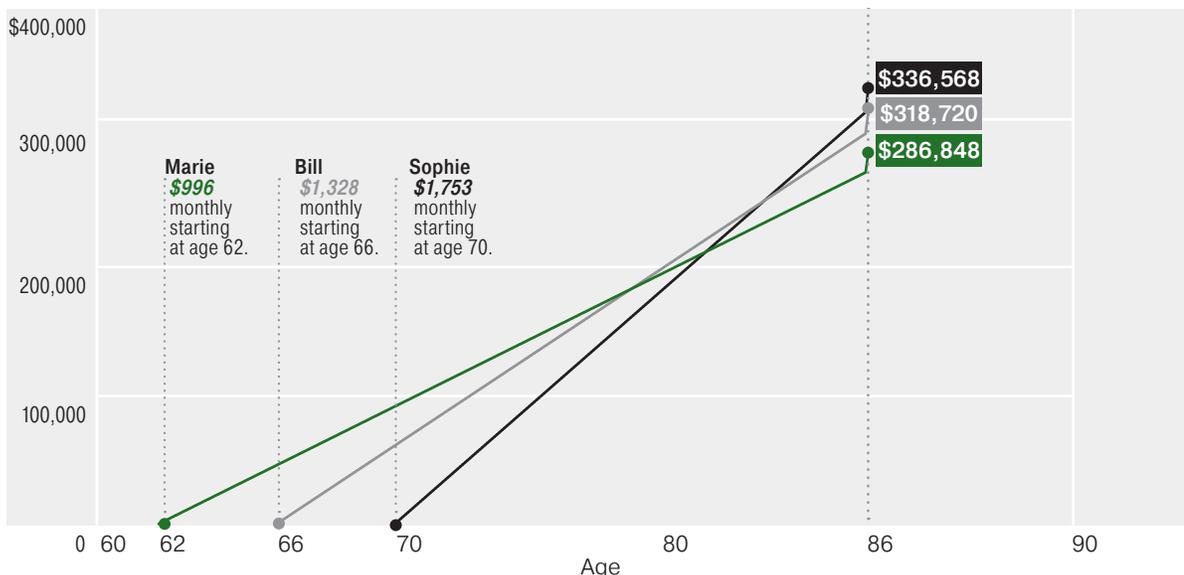
Two Ways to Get Social Security Facts

- Go to www.socialsecurity.gov/myaccount to create a secure "my Social Security" online account. You can get information, download a free statement of your estimated benefits and see how benefits are calculated. You can also call Social Security toll-free at **1 800 772 1213 (TTY 1 800 325 0778)** or visit your local Social Security office.
- Speak with your financial advisor who can answer questions and help you coordinate your Social Security benefits with savings, investments or retirement accounts.

Chart 2

Power of Patience

Cumulative Social Security Benefit at Age 86²



Assumes full retirement age \$1,328 monthly payment; does not reflect cost of living adjustments or inflation.

2. For illustrative purposes only. Individual benefits will vary based on earnings history and other factors. Examples in the graphs do not reflect cost of living adjustments (COLA) or inflation. According to ssa.gov, \$1,328 was the average monthly Social Security benefit for a retired worker in January 2015. The amounts in the graphs are from http://socialsecurity.gov/OACT/ProgData/ar_drc.html.

Perks for Married Couples

Social Security is particularly advantageous to married couples. It offers four additional claiming options: survivor; spousal; file and suspend; and restricted application. Even a spouse without an earnings history is eligible for the spousal and survivor benefit.

Couples should bear in mind that their Social Security claiming decisions are connected. When and what one spouse claims will affect the other's benefits. With more claiming options available, there are also more considerations for married couples.

Claiming Decisions Affect the Surviving Spouse

When the first spouse dies, the larger retirement benefit will continue for the survivor, whether it's your spouse's own retirement benefit or yours, and the smaller payment stops. Therefore, the spouse with the higher earnings should maximize his or her own retirement benefit so the survivor receives the highest possible payment.

The Spousal Benefit

The spousal benefit is unique to married couples and qualified divorcees. For married couples, the spousal benefit entitles one spouse to the higher of his or her own earnings or 50% of the spouse's full retirement age amount less early claiming reductions. To be eligible for the spousal benefit, you must be age 62 and your spouse is entitled to or is already receiving a retirement benefit.

If you're divorced, you might be eligible to receive benefits based on your ex-spouse's record. To qualify, you must have been married for 10 or more years, be currently unmarried, be age 62 or above and not have filed for benefits. In addition, your ex-spouse must

be entitled to benefits, and your retirement benefit must be less than what you would receive based on your ex-spouse's record.

You do not need to coordinate with your ex-spouse to file for the spousal benefit, and he or she can't prevent you from filing. Also, your filing for the spousal benefit has no bearing on the filing qualification for either your ex-spouse or your ex-spouse's current spouse.

Special Claiming Options

There are two additional Social Security perks that married couples can claim: file and suspend and restricted application.

- **File and Suspend.** With this choice, one spouse at FRA or older files and suspends receiving retirement payments until a later date. This allows both the retiree's and the survivor's benefits to grow while triggering availability of the spousal benefit.
- **Restricted Application.** To file a restricted application, the spousal benefit must be available. This means that one spouse has filed or has filed and suspended benefits, triggering the spousal benefit. The other spouse at FRA then files a restricted application to receive the spousal benefit ONLY, while his or her own retirement benefit is suspended and accumulates delayed retirement credits. Then the spousal benefit recipient can change later to his or her own higher retirement benefit. This "switch" strategy allows a person to take a limited benefit for a certain period, then switch to a higher benefit later.

If you're divorced and qualify, you may be eligible to receive benefits based on your ex-spouse's record.

Make Smart Choices About Social Security

Along with investments, savings, a pension, an IRA or a 401(k), Social Security can provide a key component of your income during retirement. That's true for most Americans, so it's important to understand Social Security benefits and make informed choices that affect your lifetime benefits.

Social Security Benefits

- **Guaranteed income for life.** Once you start collecting Social Security, you'll receive monthly payments for as long as you live.
- **Steady purchasing power.** If inflation rises, your payments will increase periodically to adjust to the rising costs of living. That means your Social Security payment in the future should have similar purchasing power as when you first claim.
- **Flexible time to claim.** Social Security offers a wide age span (62 to 70) to begin collecting. If you file a claim between age 62 and 66, your benefits will be less than the full amount you're eligible for at 66. The longer you wait (up to 70), the higher your monthly benefit will be.
- **8% annual increase for delayed retirement credit (DRC).** For each year you delay claiming Social Security after full retirement age (currently 66), your benefit increases by 8%. This 8% increase applies for each year you delay up to age 70.

Decisions you make before collecting Social Security can affect monthly cash flow, survivors' benefits and lifetime income.

Plan for the Long Term.

About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.
Source: <http://www.ssa.gov/pubs/EN-05-10147.pdf>



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Plan Ahead for Your Retirement

Retirees and those nearing retirement should create a comprehensive income plan to help ensure financial comfort for the years after working.

Basic retirement income plans identify and consider the following:

- Sources of income in retirement.
- Anticipated spending in retirement.
- Investment and “draw-down” strategies in retirement.

Talk with your financial advisor about your Social Security choices and how your benefits will fit with your other sources of retirement income.

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