

Maximizing Your Social Security Benefits

Retirement and Social Security are inextricably linked. Not only did Social Security help establish the official U.S. retirement age at 65, it also provides a significant portion of today's retirees' incomes. Some of the earliest company pension programs began paying benefits at age 65.¹ The economics made sense since life expectancy for a 30-year-old at the turn of the century was about 65 years.² When the U.S. government was working through the economics of old-age insurance (a.k.a. Social Security), it came to the same economic conclusion, and age 65 became our official 'retirement age'.^{3, 4}

The Social Security program has evolved over time and, today, Americans may retire and begin receiving benefits at age 62. For people with average earnings, Social Security retirement benefits replace about 40% of pre-retirement income. If you earn more than average, benefits replace a smaller portion of income.⁵



Attributes of the program

No matter how much you earned during your working years, it's important to understand the Social Security program to maximize your benefits. It's not an easy task. CNBC reported, "A single person only has to consider nine different scenarios when claiming retirement benefits. For married couples, the available options for filing strategies grow to 81."⁶

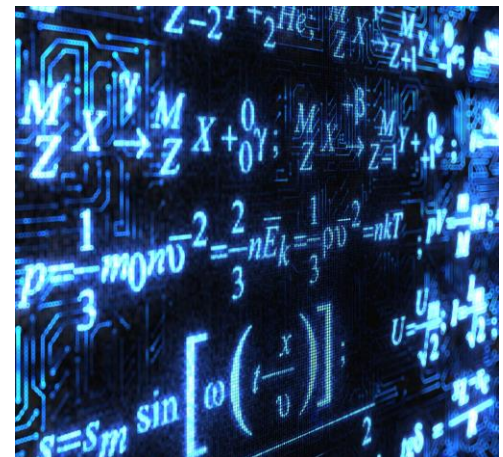
Often, maximizing your benefits means working with a financial professional who has the knowledge and experience to help determine which options may be most beneficial for you. In general, Social Security offers:

- **A stable income for life:** Once you qualify for Social Security benefits, you can expect to receive benefits until your death, whether you live to be 66 or 115.⁷
- **A specific amount of income:** Your purchasing power – the amount of goods and services you can buy – should remain relatively stable since Social Security benefits are adjusted for inflation periodically.⁷

For most people, Social Security benefits are determined by the amount of income earned while working. Choosing when to start Social Security affects benefit amounts.

For example:

- **Early retirement:** A person can choose to begin receiving benefits as early as age 62. However, taking early retirement may reduce monthly benefits by as much as 30%.⁴
- **Normal retirement:** If the individual waits until full retirement age (FRA), he or she can expect to receive a full retirement benefit. FRA is about 66 for people born 1943-1954 and about age 67 for people born 1960 or later.⁸
- **Delayed retirement:** If a person retires after normal retirement age, he or she may receive credits for each year of delay up to age 69, increasing the amount of the benefit.⁴



There are also other types of Social Security benefits:

- **Spousal benefits:** It's important to calculate spousal benefits before choosing your Social Security benefit. *LIMRA* research shows, in almost half of 65-year-old couples, one spouse will outlive the other by 10 or more years. In 75% of couples, one spouse will outlive the other by at least five years.⁹

Many factors can affect spousal benefits. In broad terms, people who have been married for at least 10 consecutive years may choose a benefit based on personal earnings or claim half of a spouse or ex-spouse's benefits.⁶

- **Survivor benefits:** Your spouse and dependents may continue to receive Social Security benefits after your death. The number of dependents and the earnings of the person who died typically determine the amount received.¹⁰

By many measures, the Social Security program has been a success in the United States. It provided a much-needed safety net for older Americans following the 2007 financial crisis and market decline. In 2016, *Brookings* wrote:¹¹

“The program is one reason America’s senior citizens, when taken as a whole, have fared so well – even throughout the Great Recession. While the average income (adjusted for inflation) of households with a head below the age of 65 fell by 4% between 2003 and 2013, the income of those with a head 65 and over rose by 15%.”

Rising incomes for older Americans are owed much to cost-of-living adjustments (COLAs), which are increases in benefits determined by inflation.¹²

Talk with a financial professional

If you are approaching retirement age, it is a good idea to talk with a financial professional before applying for Social Security retirement benefits.

Ask your advisor:

- How can you maximize your benefits
- How will working during retirement may affect your benefits
- How will pension income can affect your benefits
- How and when will your benefits be taxed

If you pay into the Social Security system throughout your working years, you deserve to receive the benefits you've earned. An experienced financial advisor can help you maximize your benefits.

Sources:

¹ <https://www.ebri.org/publications/facts/index.cfm?fa=0398afact>

² https://www.ssa.gov/oact/NOTES/pdf_studies/study120.pdf

³ <https://www.theatlantic.com/business/archive/2014/10/how-retirement-was-invented/381802/>

⁴ https://www.ssa.gov/oact/quickcalc/early_late.html

⁵ <https://www.ssa.gov/planners/retire/r&m6.html>

⁶ <https://www.cnbc.com/2017/06/02/how-married-couples-can-maximize-their-social-security-benefits.html>

⁷ <https://www.ssa.gov/pubs/EN-05-10035.pdf>

⁸ <https://www.ssa.gov/planners/retire/retirechart.html>

⁹ http://www.limra.com/posts/pr/industry_trends_blog/are_couples_really_addressing_the_longevity_risks.aspx

¹⁰ <https://www.ssa.gov/planners/survivors/ifyou5.html>

¹¹ <https://www.brookings.edu/research/what-growing-life-expectancy-gaps-mean-for-the-promise-of-social-security/>

¹² <https://www.ssa.gov/oact/cola/colaseries.html>

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