

HELP MAXIMIZE YOUR SOCIAL SECURITY BENEFITS:

SEPARATING FACT FROM FICTION

The fact about Social Security benefits

Regardless of your plans for retirement, Social Security is likely to play a role. Consider the following from 2024.

- More than 51.2 million retired workers and 2.6 million dependents receive Social Security benefits.
- 90% of Americans age 65 and older receive Social Security benefits.
- Social Security benefits make up around 30% of income for people age 65 and older.
- 15% of women and 12% of men age 65 and older rely on Social Security for 90% or more of their income.[1]

At a glance, Social Security may seem straightforward. You pay into the system throughout your career. Then, when you retire, you start receiving monthly benefit checks that continue for life.

However, it's not as simple as it seems.

The fact is, Social Security has a lot of moving parts. The decisions you make about when and how to file could impact your retirement income for the rest of your life.

So, how do you know what decisions are right for you? First, you need to understand the fundamentals of Social Security and how they impact your retirement.

Here, we take a look at several commonly held beliefs about Social Security and separate fact from fiction to help you take control of your benefits and make informed decisions about your retirement.

1 https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

FACT

You can begin receiving Social Security at age 62.

Although you can begin receiving Social Security benefits at age 62, that's not always the best strategy. The earlier you file, the less your monthly benefit will be. To receive your full monthly benefit, you must wait to file until you reach your full retirement age (FRA).

Filing at age 62 could reduce your benefit by as much as 30%.[2]

The following are important considerations if you plan to file early for benefits.

- The closer you are to FRA when you file, the less your benefit will be reduced. **Depending on your specific situation, it may pay to wait.**
- **Benefit reductions are permanent.** If you file early, your benefit won't adjust to the full amount when you reach FRA. You may receive cost-of-living increases, but your benefit will always be less than it would have been had you waited until FRA to file.
- Filing early makes sense in some situations. Although your monthly benefit is reduced when you file early, you do receive additional years of payments. **If you need the income, filing early may be your best option.**
- **Your decision on when to file should be based on your unique needs and goals.** There's no single right answer for everyone.

2 https://www.ssa.gov/oact/quickcalc/earlyretire.html

FICTION

Full retirement age is 65.

This is a common misconception that dates back to Social Security's inception. When Social Security was created in 1935, FRA was 65.[3] FRA remained age 65 until Congress passed the Social Security Amendments of 1983, which raised the age of eligibility for unreduced retirement benefits in two stages to age 67 by the year 2027.[4]

Today, your FRA is based on when you were born.

Year of Birth	Full Retirement Age[5]
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 and later	67

NOTE: People born on January 1 of any year, refer to the previous year.

3 https://www.ssa.gov/history/hfaq.html
4 https://www.ssa.gov/history/1983amend.html
5 https://www.ssa.gov/pubs/EN-05-10035.pdf

FICTION

You must file for benefits at your full retirement age.

While you're eligible to receive your full Social Security benefit at FRA, there's no rule that says you must file at that time. In fact, you can delay taking Social Security past your FRA for a higher monthly benefit amount.

You receive a credit of 2/3 of 1% for each month you delay filling past your FRA. That's an 8% credit for each year you delay. You will also receive credit for all Social Security cost-of-living (COLA) increases during that time. You can delay your benefits and receive credits until you reach age 70.[6]

To summarize, filing before FRA means a reduction in your monthly benefits, while filing after FRA results in additional benefits credits. Consider the potential benefits of filing at different ages for an individual born in 1960, making $100,000 at retirement.[7]

- Files at age 62 – $1,677 per month
- Files at age 67 – $2,551 per month
- Files at age 70 – $3,205 per month

As you can see, the monthly benefit at age 70 is nearly double the benefit received at age 62. However, by waiting until age 70 to file, you receive fewer years of benefits. That's why it's important to weigh all of your options and choose a timing strategy that makes sense, given your personal financial situation and goals for the future.

6 https://www.ssa.gov/benefits/retirement/planner/delayret.html

7 Example shown for illustrative purposes only. Benefit amounts are in today's dollars without inflation adjustments.

FICTION

Social Security benefits are always tax free.

This one is a bit more nuanced. While it's true that some people are eligible to receive tax-free benefits, if your "combined income" exceeds a certain threshold, a portion of your benefits may be taxable.

Adjusted Gross Income + **Nontaxable Interest** + **1/2 of the Social Security Benefit** = **COMBINED INCOME**

Combined Income Thresholds[8]		
Individual Filers	**Married, Joint Filers**	**% of Benefits Subject to Tax**
Less than $25,000	Less than $32,000	0%
$25,000 to $34,000	$32,000 to $44,000	50%
Greater than $34,000	Greater than $44,000	85%

Fortunately, with the proper strategies in place, you may be able to reduce your combined income and lower your Social Security tax exposure. Work with an experienced financial professional to develop and implement a custom Social Security strategy to help maximize your income and minimize your tax liabilities.

Effective 2025 through 2028, individuals age 65 and older may claim an additional $6,000 deduction.

This is in addition to the standard deduction for seniors available under existing law. It applies to each eligible individual (or $12,000 for a married couple if both spouses qualify). And it phases out for taxpayers with modified adjusted gross income over $75,000 ($150,000 for joint filers).[9]

8 https://www.ssa.gov/benefits/retirement/planner/taxes.html
9 https://www.irs.gov/newsroom/one-big-beautiful-bill-provisions

FICTION

If you work during retirement, you lose your Social Security benefits.

Many retirees chose to work part time, which can be fulfilling and social, while also providing supplemental retirement income. While working in retirement won't automatically impact your Social Security benefits, there are three important considerations to keep in mind for 2025.

1. Once you reach FRA, you can work and earn as much as you want without any reduction to your monthly benefit amount.

2. If you file for benefits before you reach FRA and continue working, you will see a $1 benefit reduction for every $2 you earn above a threshold of $23,480.[10]

3. In the calendar year you reach FRA but before your actual FRA, you will see a $1 benefit reduction for every $3 you earn above a threshold of $65,160.[10]

4. Once you reach FRA, your benefits are recalculated to reflect the payments that were withheld.[10]

If you are considering an early retirement, filing early for Social Security, or filing and returning to work, it's important to develop a detailed financial strategy to help ensure you don't miss out on benefits.

10 https://www.ssa.gov/cola/ (Cost-of-Living Adjustment (COLA) Information for 2025)

FACT

You can receive benefits based on your spouse's earnings.

If you don't have much work history or your spouse earned significantly more than you throughout your careers, you may be eligible for benefits based on your spouse's earnings, rather than your own.

A Social Security spousal benefit may allow you to receive up to 50% of your spouse's benefit. Keep in mind, though, that if you file before FRA, your benefit will be permanently reduced.

You can also file for spousal benefits based on a former spouse's earnings if you meet the following criteria.[11]

- You were married to your ex-spouse for at least 10 years.
- You are currently unmarried.
- You have been divorced for at least two years.
- Your ex-spouse is age 62 or older.
- Your benefit amount based on your own earnings is less than a potential spousal benefit based on your ex-spouse's earnings.
- You are eligible to receive Social Security benefits.

Filing for a spousal benefit does not impact your spouse or his/her benefits. If you meet the above criteria, you can claim whether or not the ex-spouse has filed. However, you cannot claim a spousal benefit until your spouse or ex-spouse has filed for Social Security. (This isn't true if you have been divorced for at least two years and your ex-spouse is at least 62. If you meet the requirements above, you can collect even if your ex-spouse has not filed.)

Work with a financial professional to estimate your potential spousal benefit and its impact on your overall financial strategy.

11 https://www.ssa.gov/benefits/retirement/planner/applying7.html

Your retirement deserves a solid strategy.

When it comes to retirement, you only have one chance to get it right. Don't let misconceptions about Social Security derail your retirement goals. We can help you make informed decisions designed to help you maximize your benefits and minimize your tax exposure.

Take control of your financial future by scheduling an appointment with our experienced professionals.

We'll provide you with a personalized Social Security analysis to help you get started. We look forward to getting to know you.

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