

Riverside *RETIREMENT TIMES*

May 2025

3 Important Changes to Social Security in 2025

Regardless of what may happen to Social Security as a result of the 2024 election (we'll worry about that in 2026), there are several changes for 2025. Here are 3 important changes that we believe all retirement savers should understand:

Full Retirement Age (FRA): This is the age at which you become eligible to claim 100% of your retirement benefit. You can start collecting retirement benefits before FRA — the minimum age is 62 — but your monthly payment will be permanently reduced, by as much as 30 percent. You can also wait past FRA to earn a bonus for delaying benefits- an extra 8 percent a year until age 70, when you can claim your maximum benefit.

FRA is now 66 years and 8 months for people born in 1958. It is 66 and 10 months for those born in 1959. If you were born in 1960 or later, your FRA is 67 and will be reached in 2026 and after.

Cost-of-Living Adjustment (COLA): The 2025 COLA is 2.5%, down from 3.2% in 2024. This is the lowest it's been in four years, reflecting a return to pre-pandemic inflation trends. This COLA is applied to all social security payments.

Tax Limit: Social Security is primarily funded by a 12.4% tax on most workers' earnings. If you earn wages, you pay 6.2% (through FICA withholding from your paycheck) and your employer pays 6.2%.

The rate has not changed since 1990, but the amount of income subject to it is adjusted annually to reflect national wage trends. In 2025, you'll pay the tax on work income up to \$176,100 (up from \$168,600 in 2024). Earnings above that threshold are not taxed for the purpose of funding Social Security, nor is any income from investments.

SOURCE: www.ssa.gov

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