



# **Maximizing Your Social Security Benefits**

Social Security is a government program that provides monthly benefits to retired or disabled individuals and their families. It is funded through payroll taxes paid by workers and their employers, and is designed to provide a financial safety net for Americans who are unable to work or who have retired. Social Security benefits are an important source of income for many Americans, particularly older adults and those with low or moderate incomes. Understanding how the program works and how to maximize your benefits can help ensure a secure retirement.

Social Security benefits are not just for retirees – the program also provides benefits to disabled workers, their dependents, and survivors of deceased workers. In addition, Social Security offers other services, such as free Social Security Statements that provide estimates of your future benefits, and assistance with applying for benefits.

It is important to note that Social Security benefits are not guaranteed – the program is subject to changes and adjustments based on factors such as the economy and the number of workers paying into the system. However, Social Security has been a critical part of the American social safety net for many years, and it continues to provide essential income to millions of Americans.

To be eligible for Social Security benefits, you must have worked for a certain number of years and reached a certain age. The exact requirements vary depending on your date of birth, but generally, you must have worked for at least 10 years and be at least 62 years old to receive retirement benefits. If you become disabled, you may be eligible for benefits at a younger age.

To determine your eligibility for Social Security benefits, the Social Security Administration (SSA) looks at your work history and the number of credits you have earned. You earn credits based on your income, and you can earn up to a maximum of four credits per year. The amount of income you need to earn one credit varies depending on the year, but for 2021, you need to earn \$1,470 to earn one credit.

If you are eligible for retirement benefits, you can start receiving them as early as age 62. However, the amount of your monthly benefit will be lower if you start early. If you delay receiving benefits until after your full retirement age (which is 66 or 67 depending on your year of birth), your benefit amount will be higher. You can continue to delay receiving benefits until age 70, at which point your benefit amount will be the maximum amount possible.

If you are unable to work due to a disability, you may be eligible for Social Security Disability Insurance (SSDI) benefits. To be eligible, you must have worked long enough and recently enough to have earned the required number of credits, and you must have a medical condition that is expected to last at least one year or result in death.

The SSA has strict definitions and requirements for what qualifies as a disability, and the application process can be complex. It is important to consult with the SSA or a qualified expert to determine your eligibility for SSDI benefits.

The amount of your monthly Social Security benefits is based on your earnings history. The SSA uses a formula to calculate your benefit amount, taking into account your average earnings over your working life and the age at which you decide to start receiving benefits.

To calculate your benefit amount, the SSA first determines your average indexed monthly earnings (AIME) by adjusting your earnings for inflation and then averaging them over your working life. The SSA then applies a formula to your AIME to determine your primary insurance amount (PIA), which is the amount of your monthly benefit if you claim benefits at your full retirement age.

Your PIA is calculated using a progressive formula that replaces a larger percentage of your earnings if you have low earnings, and a smaller percentage if you have high earnings. For example, if your AIME is \$1,000, your PIA would be \$771 per month if you claim benefits at your full retirement age of 66.

If you start receiving benefits early (before your full retirement age), your benefit amount will be reduced. The exact reduction depends on how many months you are early, but for each month, your benefit amount will be reduced by a certain percentage. For example, if you start receiving benefits at age 62, your benefit amount will be reduced by about 25%.

If you delay receiving benefits (beyond your full retirement age), your benefit amount will increase by a certain percentage for each month you delay, up to age 70. For example, if you delay receiving benefits until age 70, your benefit amount will be increased by about 24%.

It is important to note that your benefit amount may also be affected by other factors, such as taxes and other sources of income. It is important to consult with the SSA or a qualified expert to determine your specific benefit amount.

There are several strategies you can use to maximize your Social Security benefits, such as starting early, delaying, or using spousal and survivor benefits.

Starting early allows you to receive income from Social Security sooner, but it also results in a lower monthly benefit amount. If you start receiving benefits at age 62, your benefit amount will be reduced by about 25%. This reduction is permanent, and it will apply to any future increases to your benefit amount, such as cost-of-living adjustments. Starting early may be a good option if you need the income to support yourself or if you have a short life expectancy.

Delaying, on the other hand, can increase your benefit amount, but you will have to wait longer to receive income. If you delay receiving benefits until after your full retirement age (66 or 67, depending on your year of birth), your benefit amount will increase by a certain percentage for each month you delay, up to age 70. For example, if you delay receiving benefits until age 70, your benefit amount will be increased by about 24%. Delaying may be a good option if you have other sources of income to support yourself in the meantime, or if you have a longer life expectancy and want to receive a higher benefit amount.

Spousal and survivor benefits allow you to receive benefits based on your spouse's earnings history. If you are married and your spouse is eligible for Social Security benefits, you may be able to receive a spousal benefit equal to half of your spouse's benefit amount. If your spouse passes away, you may also be eligible for survivor benefits, which are based on your spouse's benefit amount.

Spousal and survivor benefits can be a valuable source of income if your spouse has a higher earnings history than you.

It is important to consider your personal circumstances and goals when deciding which claiming strategy to use. You should also consult with the SSA or a qualified expert to determine which strategy is best for you.



To maximize your Social Security benefits, you should consider working longer to increase your earnings history and coordinate with your spouse to optimize your combined benefits. You should also keep an eye on any changes to the Social Security system and make sure to update your personal information with the SSA to ensure that you receive the correct benefits.

Working longer can increase your earnings history and, as a result, your benefit amount. The SSA uses your highest 35 years of earnings to calculate your average indexed monthly earnings (AIME), so if you have fewer than 35 years of earnings, working longer can help increase your AIME and your benefit amount. For example, if you have 30 years of earnings and your highest earning year was \$50,000, working for five more years and earning \$60,000 per year would increase your AIME and your benefit amount.

Coordinating with your spouse can also help maximize your combined benefits. If you and your spouse are both eligible for Social Security benefits, you should consider claiming strategies that optimize your combined benefits. For example, if one spouse has a higher earnings history, that spouse may want to delay receiving benefits until age 70, while the other spouse starts receiving spousal benefits at their full retirement age.

It is also important to keep an eye on any changes to the Social Security system. The program is subject to changes and adjustments based on factors such as the economy and the number of workers paying into the system. You should stay informed about any changes and how they may affect your benefits.

Finally, it is important to make sure that the SSA has your correct personal information, such as your address and phone number. This will ensure that you receive the correct benefits and that the SSA can contact you if necessary. You can update your personal information by contacting the SSA or by visiting their website.

In addition to your earnings history and claiming strategy, there are other factors that can affect your Social Security benefits. For example, your benefits may be taxed if you have other sources of income, such as a pension or earnings from work. You should consider these factors when deciding when and how to claim your benefits.

The amount of Social Security benefits that are subject to tax depends on your income and filing status. If your income is above a certain threshold, a portion of your benefits may be taxable. The exact amount depends on your income and filing status, but generally, if your income is above \$25,000 for an individual or \$32,000 for a married couple filing jointly, up to 50% of your benefits may be taxable. If your income is above \$34,000 for an individual or \$44,000 for a married couple filing jointly, up to 85% of your benefits may be taxable.

In addition to taxes, other sources of income can affect your Social Security benefits. If you receive income from sources such as a pension or earnings from work, your benefits may be reduced. The SSA uses a formula called the retirement earnings test (RET) to determine if your benefits should be reduced and by how much.

The RET applies to beneficiaries who are under full retirement age and who are receiving benefits while continuing to work. If your earnings exceed a certain amount, a portion of your benefits may be withheld. The exact amount depends on your age and the year, but for 2021, if you are under full retirement age for the entire year, \$18,960 of your earnings will not affect your benefits. For each \$2 you earn over that amount, \$1 of your benefits will be withheld.

It is important to consider these factors when deciding when and how to claim your benefits. You should also consult with the SSA or a qualified expert to determine how taxes and other sources of income will affect your benefits.



## // CONCLUSION



Understanding and maximizing your Social Security benefits is important for a secure retirement. By being aware of your eligibility, understanding how your benefits are calculated, and using claiming strategies, you can ensure that you receive the maximum benefits available to you.

Keep in mind that other factors, such as taxes and other sources of income, can also affect your benefits, and be sure to stay informed about any changes to the Social Security system.

Speak to a Safe Wealth Agent