



Understanding Social Security

Social Security provides a safety net for eligible Americans that can supplement a pension, personal investments and savings. Although Social Security was originally intended as an adjunct to other sources of income during retirement, it has become an important source of income for many retired Americans.

The Basics of Social Security

Your Social Security benefits are a key piece in your retirement plan.

QUALIFYING FOR SOCIAL SECURITY BENEFITS

By working and paying Social Security taxes, you are earning credits toward your Social Security benefits.



Monthly benefits are based on your lifetime earnings



To qualify, you must accumulate a minimum of **40** credits, or **10** years of work



Limits on maximum amount of earnings used to calculate benefit (**\$160,200** for 2023¹)

CALCULATING SOCIAL SECURITY BENEFITS

Your benefits are a function of your earnings history—how many years you’ve worked, how much you’ve earned and how much Social Security tax you’ve paid. The benefit that is calculated from all these variables is your Primary Insurance Amount (PIA), the amount you are eligible to receive in Social Security benefits when you reach full retirement age.

Full retirement age is the age at which you are entitled to receive full benefits. The definition of full retirement age depends on when you were born.

You can elect to take benefits as early as age 62, but you will only receive a percentage of your PIA.²

Retirement Benefits Distribution Options

YEAR OF BIRTH	NORMAL RETIREMENT AGE	AT AGE 62 RETIREMENT BENEFIT IS REDUCED BY
1943-1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 or later	67	30.00%

Social Security Benefits: Benefit Reduction for Early Retirement. Available at <https://www.ssa.gov/OACT/quickcalc/earlyretire.html>. Accessed February 7, 2023.

CALCULATING SOCIAL SECURITY BENEFITS

You don't automatically begin receiving benefits. You must either apply online, call the Social Security Administration or visit a Social Security Office. You have the option to choose when to start collecting your benefits. If you choose to take early retirement, your benefits will be permanently reduced. If you choose to delay retirement, you earn delayed retirement credits that increase your benefits.



FULL RETIREMENT AGE

Age at which you are entitled to full retirement benefits, which depends on your year of birth.



EARLY RETIREMENT

You may begin receiving benefits at age 62, but benefits will permanently be reduced by 25%–35% depending on year of birth and the type of benefit you plan to receive. You also have to make this decision within 12 months of beginning to collect.



DELAYING RETIREMENT

For those born in 1943 or after, an additional 8% is credited to your permanent benefit each year until you reach age 70.

Social Security Administration. Starting Your Retirement Benefits Early. Available at <https://www.ssa.gov/benefits/retirement/planner/agereduction.html>. Accessed February 7, 2023.

Social Security Administration, Delayed Retirement Credits. Available at <https://www.ssa.gov/benefits/retirement/planner/delayret.html>. Accessed February 7, 2023.

UNDERSTANDING ALL YOUR BENEFITS

In addition to retirement benefits for you, Social Security also offers disability benefits, spousal benefits, survivor benefits and even divorced spouse benefits for those who qualify.

Deciding When to Receive Benefits

As you're thinking about when to start receiving Social Security benefits, consider the following:

- You may receive Social Security benefits while still employed. However, if you are below your full retirement age, \$1 of benefits is deducted for every \$2 earned above the annual limit on earnings, which would be deferred until full retirement age.
- In 2023, that annual limit is \$21,240.³ If you wait until full retirement age to begin collecting benefits, you can keep working—or go back to work—without affecting your benefits.
- Your personal and family health history may impact your decision-making. If you're in good health, postponing benefits can increase your benefits. On the other hand, if you are in poor health, you may want to initiate benefits sooner.

When you decide to begin receiving benefits will depend on your unique personal and financial circumstances. Your Financial Advisor can help you weigh the pros and cons of each option, and help you integrate Social Security into your overall retirement plan.

Maximizing Your Benefits

To help maximize your Social Security benefits, you can:

- **Work Longer.** Working longer may help boost your benefit since your PIA is calculated using the highest 35 years of your earnings record.
- **Take Advantage of Delayed Retirement Credits.** If you or your spouse was born before January 2, 1954 and have not elected to collect Social Security benefits yet, one of you can choose to file a claim for a spousal benefit at your full retirement age, and then switch to your own retirement benefit at a later date.

Investopedia. 9 Ways to Boost Your Social Security Benefits, June 29, 2021.

Planning for Retirement With Social Security in Mind

Even if retirement is still in your distant future, you should start thinking about your strategy now. As retirement nears, you will need to change your mindset from accumulating assets to converting assets to income, from managing your investments to managing risk, and from earning income to making the most of what you have, including what you will receive from Social Security.

**Ready to get started on your retirement planning strategy?
Let's have that conversation.**

¹ "What You Need to Know About 2023 Social Security Changes Beyond the COLA," by Andrew Rosen, Kiplinger, November 18, 2022. Available at <https://www.kiplinger.com/retirement/2023-social-security-changes-beyond-the-cola>.

² Social Security Benefits: Benefit Reduction for Early Retirement. Available at <https://www.ssa.gov/OACT/quickcalc/earlyretire.html>. Accessed September 8, 2021.

³ Social Security Administration. "Receiving Benefits While Working." Available at <https://www.ssa.gov/benefits/retirement/planner/whileworking.html>. Accessed February 7, 2023.

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