

Making Sense of Social Security Benefits



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Social Security is one of the most fundamental components and valuable assets of our retirement yet there are so many people who don't fully understand this government program. And that's reasonable given the complexities of how it actually works. According to a 2020 Nationwide Retirement Institute survey, only 7% of Boomers know the factors that determine their maximum benefit and 57% don't know how much of their income will be replaced by Social Security. Increasingly, pre-retirees and retirees are turning to their financial professionals for guidance on maximizing Social Security benefits.

Recently, we both achieved the **National Social Security Advisor Certificate** to help ensure that we are providing that extra value and critical information for clients who are preparing for retirement. In doing so, we have gained the knowledge to not only better assist with retirement planning but also to discuss other types of Social Security benefits when needed such as disability and survivors/supplemental benefits.

What many people don't realize is that *when* and *how* you claim benefits makes a significant difference in the amount you will be able to collect. For example, although you may be eligible for retirement benefits at age 62, you might lock in a reduced monthly benefit for the remainder of your life instead of waiting until the full retirement age to file and receiving the full monthly benefit. Full Retirement Age, or FRA is the age when you are entitled to 100 percent of your Social Security

benefits which are determined by your lifetime earnings. If you were born between 1943 and 1954, your FRA was 66, but if you were born in 1955, it is 66 and 2 months. For those born between 1956 and 1959 it gradually increases and for those born in 1960 or later, the FRA is 67. In addition, if you plan to work during retirement and you are under age 67, your employment income may reduce the actual benefit amount you receive from Social Security.

Spousal benefits can also be a bit confusing. At 62, you are eligible to receive either your own benefit based on your earnings or up to 50% of your spouse's benefit, whichever benefit provides the higher monthly amount, providing your spouse is also collecting his or her own benefits. Again, by waiting until your full retirement age to file you can avoid receiving a reduced monthly benefit. This is also true if you are a divorced or surviving spouse, however there are eligibility requirements that we urge you to discuss with a financial professional before applying for those benefits.

Other factors to consider before filing include, how your own filing will affect your spouse's survivor benefit, how delaying retirement can increase your monthly benefit, and how your income will be taxed. Getting the timing right and knowing your options will help you make the decisions that are most beneficial to you and your family.

With over **40.2%** of Americans ages 60 and up relying solely on Social Security for retirement income¹, having a full grasp on how the program works and working with a financial professional to ensure you are maximizing your benefit is more of a necessity than a luxury.

1. National Institute on Retirement Security, January 2020

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What are your Social Security Benefit Options?

Make the best choices when you're ready to claim Social Security benefits.

LET US HELP GUIDE YOU

- Retirement Benefits
- Children Benefits
- Spousal Benefits
- Surviving Spousal Benefits
- Benefit Computations
- Coordinating Spousal Benefits
- Annual and Monthly Earnings Test
- Claim and Suspend Strategy
- Situational Social Security
- Taxation of Social Security Benefits



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