

Social Security Savvy: Tips To Help Make The Best Of Your Benefit



Many of us have paid a portion of our paychecks to the Social Security Administration for years. Today, 97% of older adults (aged 60 to 89) either receive Social Security or will receive it according to [Social Security Administration estimates](#). As we get closer in our careers to claiming our benefits, we often have questions and concerns. Creating a plan that combines Social Security benefits with retirement savings — and pension benefits if you have them — can help ensure you'll have enough income after you leave the workforce.

Coverage Calculations

To qualify for Social Security, you have to work in a job covered by Social Security and generally need to have earned 40 credits, about 10 years of work.

Social Security benefits are typically computed using Average Indexed Monthly Earnings. This average summarizes up to 35 years of your indexed earnings. A formula determines how your Social Security benefits are calculated, based on the following factors:

- How long you work
- How much you make each year
- Inflation

- What age you begin taking benefits

If you earned little or nothing in several of those years, you may want to work as long as possible to replace a year of lower earnings with a year of higher earnings, potentially resulting in a bigger benefit. Social Security's annual cost of living increases are calculated using your initial year's benefit as a base so the higher the base, the greater your annual increase. The age at which you start claiming Social Security will also affect the amount you receive.

Five reasons you might want to take Social Security early:

- You have a serious illness and/or short life expectancy.
- You get laid off from your job at 62.
- You work part-time.
- No one else is dependent on your income.
- You already have your highest-earning 35 years.

Five reasons you might want to wait:

- You'll get a higher payment that will continue to benefit you throughout retirement.
- Your cost-of-living adjustments will be larger.
- Once you're eligible, you can claim at any time, so you can assess periodically whether you still want to delay receiving benefits if your circumstances change. At full retirement age, you can also elect to receive up to six months' retroactive benefits in a lump sum, which can help alleviate regret about delaying benefits in the event of a serious health diagnosis or a need for a large cash infusion.
- You can benefit from tax diversification.
- You can protect your spouse if you're the higher earner. The loss of a spouse can be financially devastating even under the best of circumstances. If you are the higher earner, delaying benefits as long as possible can help ensure your spouse is better provided for after you are gone.

You can get an estimate of your monthly Social Security retirement benefit on the [Social Security Administration's website](#). Here you can check your eligibility, see your estimated benefits, and review your lifetime earnings.

Continued Employment After Retirement

Money you earn after you retire will only affect your Social Security benefit if you're under full retirement age.

- Under full retirement age, \$1 in benefits is withheld for every \$2 earned above a certain annual limit. ([See the Social Security website for this year's limit.](#))
- In the year full retirement age is reached, \$1 in benefits is withheld for every \$3 earned above a certain annual limit until your birth month is reached.
- If you plan to work until your full retirement age, and perhaps even beyond, there is no penalty for continuing to earn a salary in addition to taking your Social Security benefits.

Tax Considerations

- If the only income you had during the year was Social Security income, then your benefit generally isn't taxable.

- About 40% of people who get Social Security must pay federal income taxes on their benefits. This usually happens if you have other substantial income in addition to your benefits, including wages, earnings from self-employment, interest, dividends, and other taxable income that must be reported on your tax return.
- Up to 85% of your benefit may be taxable, depending on your tax filing status (e.g., single, married filing jointly) and the total amount of income you have.

Spousal Benefits

- Current spouses must be 62 and wait until their spouse begins taking Social Security to receive a spousal benefit.
- If you're married and your lifetime earnings were lower than your spouse's, you may be eligible to receive a higher benefit based on your spouse's earnings record.
- An unmarried, divorced spouse who was married for at least 10 years may also be eligible for a spousal benefit. A spousal benefit claimed at your full retirement age is generally equal to 50% of the primary earner's benefit, which continues until death.
- If you are divorced and at least 62, you can file for spousal benefits even if your ex-spouse has not yet claimed benefits. You can receive up to half of what your ex-spouse would get.
- If you are widowed and 60 or older, you can collect a survivor's benefit. Social Security survivor's benefits are paid to widows, widowers, and dependents of eligible workers. Survivor's benefits equal the higher of the two benefits either party was bringing into the household. If your deceased spouse claimed benefits before the full retirement age, you will also receive a reduced benefit.

The Social Security Administration provides great latitude in determining when to take benefits. Visit with a financial professional to help assess the best time for you to begin receiving payments based on your circumstances.

Talk to your financial professional to learn more or contact us at [800.888.2461](tel:800.888.2461).

Additional Topics



Aging Parents

As parents age, they become more vulnerable to a variety of risks - financial, physical, and emotional. It's wise to develop a plan that anticipates and accommodates for their longevity.

[Learn How to Help Your Aging Parents](#)



Specialized Estate Planning

An estate plan is especially important if you want to provide ongoing financial support to a special needs loved one. Learn how Special Needs Trusts, Pooled Trusts, and ABLE Accounts may be used so your loved one can have a rich quality of life.

[Planning for Your Special Needs Loved One](#)