



# SOCIAL SECURITY

## RETIREMENT STRATEGIES

## SOCIAL SECURITY QUICK FACTS

Social Security Quick Facts is designed to provide general information on the subjects covered. It is not, however, intended to provide specific Social Security-related advice and should not be used as a sole source for Social Security filing options.

Your Financial Professional can discuss the various filing options for Social Security income benefits. You should also seek guidance from the Social Security Administration regarding your particular situation. For more detailed information, please visit a local Social Security Administration office or visit [www.ssa.gov](http://www.ssa.gov).

Once an estimated Social Security income baseline is identified, your financial professional may be able to identify potential retirement income gaps and may introduce insurance products, such as a fixed index annuity, as a potential solution when you retire.

Let's get started with a few key facts:

### 1 How do I determine what my estimated Social Security income benefits will be at retirement?

You can go online to *my Social Security* at [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/) to create an online account to view and print your Social Security statement. Once enrolled, you will be able to access helpful information such as:

- Estimates of the retirement and disability benefits you may receive.
- Estimates of benefits your family may receive when you retire or die.
- Your lifetime earnings record according to Social Security.
- The estimated Social Security and Medicare taxes you have paid.
- The opportunity to apply online for retirement or disability benefits.
- A printable version of your Social Security statement.

In 2017, the Social Security Administration announced that paper statements would only be sent to workers age 60 and over who aren't receiving Social Security benefits and do not yet have a *my Social Security* account.<sup>1</sup> It's important that you create an account, if you haven't already, to gain access to information regarding your Social Security records.

### 2 How does life expectancy factor into what my benefits may be and how do I estimate my life expectancy?

In considering when to file for Social Security benefits, one important factor to take into consideration is how long you might live. According to data collected by the Social Security Administration:<sup>2</sup>

- A man reaching age 65 today can expect to live, on average, until age 84
- A woman reaching age 65 today can expect to live, on average, until age 86.5

If, for example, you are in poor health and anticipate a shorter-than-average life expectancy, applying for Social Security benefits at age 62, even though your benefit will be reduced for taking it before your full retirement age (defined later), may make sense. Conversely, if you expect to live to an average or above average age and do not need the income, applying for Social Security benefits at full retirement age or delaying commencement of benefits until age 70, to take advantage of potentially higher monthly income benefits, may provide greater lifetime

<sup>1</sup> Social Security Administration - Get Your Social Security Statement, April 2020.

<sup>2</sup> Social Security Administration - Benefits Planner - Life Expectancy, April 2020.

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benefits. However, if you are married it is important to keep in mind that your decision on when to file for benefits could impact your spouse's survivor benefit later on, particularly if you are the higher wage earner. Refer to Question No. 15 for more information on survivor benefits.

To get a more specific estimate of your projected life expectancy based upon your current age, visit the life expectancy calculator on the Social Security Administration website at [www.socialsecurity.gov/OACT/population/longevity.html](http://www.socialsecurity.gov/OACT/population/longevity.html).

### 3 Will my retirement benefits be adjusted for inflation?

Automatic benefit increases, also known as cost-of-living adjustments (COLAs), have been in effect since 1975. The purpose of the COLA is to help ensure that the purchasing power of Social Security and Supplemental Security Income benefits may not be eroded by inflation.

The COLA is based upon the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers from the third quarter of the last year a COLA was determined to the third quarter of the current year. The COLA for 2023 is 8.7%;<sup>3</sup> for 2022 it was 5.9%.<sup>4</sup>

### 4 What is considered full retirement age?

Full retirement age (FRA) is the age at which a person may be eligible for a full or unreduced Social Security retirement benefit. Age 65 had historically been identified as the Social Security FRA for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches age 67 for people born after 1959.<sup>5</sup> To identify your FRA, visit [www.ssa.gov](http://www.ssa.gov) and enter *Retirement Age Chart* in the search engine.

### 5 When may I start receiving Social Security benefits for retirement?<sup>6</sup>

- You may apply to receive Social Security retirement benefits as early as age 62. Your monthly benefit will vary depending upon when you elect to begin receiving them.
- If you elect to receive benefits before your full retirement age, your benefit will be permanently reduced a fraction of a percentage for each month you receive benefits before your full retirement age.
- If you elect to begin receiving benefits after your full retirement age, your benefit will be increased based upon the number of months you delay receiving benefits between full retirement age and age 70. This is called a delayed retirement credit and may increase your benefit by as much as 8% annually for each year past your full retirement age that you delay filing for your retirement benefit. Delayed retirement credits only increase your benefit up to age 70, so there is no benefit for delaying your benefit beyond that age.

### 6 Can I elect to receive my retirement benefits before I actually retire?<sup>7</sup>

As previously mentioned, you may elect to receive your retirement benefit as early as age 62. However, if you are younger than full retirement age for the entire year and earn more than \$21,240 in 2023, your benefits will be reduced by \$1 for every \$2 over the limit. In the year that you will turn your full retirement age, the earnings limit is \$56,520 in 2023 and your benefit will be reduced by \$1 for every \$3 over the limit. It is important to note that these benefit amounts that may be withheld due to excess

<sup>3</sup> Social Security Fact Sheet - 2023 Social Security Changes, November 2022.

<sup>4</sup> Social Security Fact Sheet - 2022 Social Security Changes, May 2022.

<sup>5</sup> Social Security Administration - Benefits Planner: Full Retirement Age, April 2020.

<sup>6</sup> Social Security Administration - Retirement Benefits - Pub. No. 05-10035, February 2020.

<sup>7</sup> Social Security Fact Sheet - 2023 Social Security Changes, November 2022.

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earnings are not truly lost; your benefit will be recalculated and increased once you reach your FRA to account for benefits withheld due to prior excess earnings. Beginning with the month that you reach your full retirement age, your earnings while working no longer reduce your Social Security benefit, but your earnings may subject your benefits to ordinary income taxation (See Question No. 7 below). For more information on how working may affect your benefits, visit [www.ssa.gov/planners/retire/whileworking.html](http://www.ssa.gov/planners/retire/whileworking.html).

#### 7 Are my Social Security income benefits taxable?<sup>8</sup>

Some people have to pay federal income taxes on a portion of their Social Security benefits. This typically only happens if you have substantial income from other sources such as earnings, interest, dividends, and other taxable income, in addition to your Social Security income benefit. A portion of your Social Security benefits will be taxable if your “combined income” is \$25,000 or more as a single taxpayer or \$32,000 or more if you and your spouse file a joint return. Combined income is defined as your adjusted gross income + nontaxable interest + ½ of your Social Security benefits. As much as 85% of your Social Security benefits may be subject to ordinary income tax, depending upon how high your combined income is compared to the thresholds just described. For additional information on income taxes and your Social Security benefits, visit [www.socialsecurity.gov/planners/taxes.html](http://www.socialsecurity.gov/planners/taxes.html).

#### 8 What benefits are available to my spouse?

Even if your spouse has never paid taxes into the Social Security system, your spouse may be able to receive benefits if he or she is at least 62 years old and you are receiving your retirement benefits. Your spouse may also be able to collect benefits under your record if you filed and suspended your benefits by April 29, 2016 (refer to Question No. 10 for information on voluntary suspension).<sup>9</sup> The maximum spousal benefit is equal to 50% of your full retirement age benefit if the benefit commences at your spouse’s full retirement age or later. If, however, your spouse collects this benefit prior to his/her full retirement age, the amount will be permanently reduced by a percentage based upon the number of months collected before his/her full retirement age. Also, if your spouse is eligible to receive a retirement benefit in addition to a spousal benefit, your spouse’s retirement benefit will pay first. This is referred to as deemed filing. If the spousal benefit is higher, your spouse will receive a combination of the two benefits to equal the higher amount. If your spouse was born prior to January 2, 1954, an additional option may be available once he/she reaches full retirement age.<sup>10</sup> See Question No. 9 for additional information.

#### 9 What is a restricted application?<sup>11</sup>

For those born January 1, 1954, or earlier, filing a restricted application allows you to collect half of your spouse’s Social Security benefits *at your full retirement age* and delay collecting your own benefit until as late as your age 70. This allows your own retirement benefit to increase by virtue of the delayed retirement credits you will receive for delaying commencement of your own benefit until age 70 (as discussed under Question No. 5). The restricted application technique may work best for two-income couples with similar income and work histories. In order to file a restricted application, you must have been 62 or older by January 1, 2016, and must wait until your full retirement age to do so; your spouse must be collecting his/her retirement benefit or, if not collecting it, must have filed and suspended the benefit prior to April 30, 2016 (see Question No. 10).

<sup>8</sup> Social Security Administration - Benefits Planner: Income Taxes and Your Social Security Benefits, April 2020.

<sup>9</sup> Social Security Administration - Benefits Planner (Retirement): Voluntary Suspension of Retirement Benefits FAQs, April 2020.

<sup>10</sup> Social Security Administration - Benefits Planner (Retirement): Benefits for Your Family, April 2020.

<sup>11</sup> Social Security Administration - Benefits Planner (Retirement): Deemed Filing for Retirement and Spouse’s Benefits FAQs, April 2020. *Not approved by, endorsed by, or affiliated with the US Government or any governmental agency.*



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#### 10 What does it mean to voluntarily suspend Social Security benefits?<sup>12</sup>

Voluntary suspension allows someone to suspend benefits at or beyond full retirement age in order to earn delayed retirement credits. Historically, voluntary suspension, or the file-and-suspend strategy, was also used to allow a spouse or eligible dependent to collect benefits under the suspended record while the primary worker continued to earn delayed retirement credits. Effective April 30, 2016, a suspension of benefits no longer allows auxiliary benefits to be paid to a spouse (with the exception of ex-spouses) or eligible dependent(s). The primary worker must collect benefits in order for these auxiliary benefits to be paid. The only exception is for those individuals who timely filed and suspended their benefits prior to April 30, 2016.

#### 11 Once I begin receiving benefits, can I later change my mind?<sup>13</sup>

Under certain circumstances, you may be able to “reset” your Social Security benefits. This technique involves withdrawing your earlier Social Security claim for benefits by completing Social Security Form SSA-521 (request for Withdrawal of Application) and reapplying at a future date. You cannot withdraw your claim if it has been 12 months or more since you first began receiving benefits.

You are also required to pay back the benefits previously paid to you, your spouse, or children based on your application in order to withdraw and later refile. Once your withdrawal is approved, when you later reapply, your monthly benefits will be higher because you are older upon recommencing benefits. You can withdraw and repay your Social Security claim only once in your lifetime. Please note there are other considerations, such as Medicare coverage, that should be considered.

If you are unable to repay benefits received or if more than 12 months has elapsed since you began to receive them, you may voluntarily elect to suspend future payments to increase the amount you will receive when you begin receiving them again at a later date. However, your request to voluntarily suspend your benefit will also require any benefits paid under your record to stop during the period of suspension (refer to Question No. 10 above).

#### 12 What factors should I consider when deciding when to start drawing Social Security retirement benefits?

A variety of factors should be considered in determining when to begin receiving income benefits, including health of the recipient (and spouse, if applicable), benefit amounts, age, whether you and/or your spouse continue to work, and other financial resources from which to draw during retirement.

#### 13 Can I claim Social Security income benefits under my former spouse’s earnings record?<sup>14</sup>

You may qualify for benefits under your former spouse’s record if all of the following conditions apply:

- You were married for at least 10 years;
- You are unmarried;
- You are at least 62 years old;
- Your former spouse has claimed his/her benefit, or if he/she is entitled to benefits and has not yet applied, but you have been divorced for at least 2 years;
- You are not eligible for an equal or higher benefit on your own Social Security record, or on someone else’s Social Security record.

<sup>12</sup> Social Security Administration - Benefits Planner (Retirement): Voluntary Suspension of Retirement Benefits FAQs, April 2020.

<sup>13</sup> Social Security Administration - Benefits Planner (Retirement): If You Change Your Mind, April 2020.

<sup>14</sup> Social Security Administration - Benefits Planner (Retirement): Retirement Benefits for Your Divorced Spouse, April 2020.  
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Also note that the amount of benefits payable to you as a former spouse has no effect on the amount of benefits for your former spouse or his/her current spouse, if applicable.

#### **14 If I am eligible for a Social Security benefit, (whether my own or a spousal benefit), and also collect a pension from earnings not covered by Social Security, will this affect the amount I receive from Social Security?**

If you have worked for a federal, state, or local government agency that provides you with a pension based upon earnings not covered by Social Security, your retirement, spousal (or ex-spousal), and survivor benefits may be affected. If you think that this may be the case and to see the maximum amount that your own Social Security benefit may be reduced, visit: [www.ssa.gov/planners/retire/wep.html](http://www.ssa.gov/planners/retire/wep.html).

Your benefits as a spouse or widower may also be affected under the Government Pension Offset provision.

For more information, please visit: [www.ssa.gov/planners/retire/gpo/html](http://www.ssa.gov/planners/retire/gpo/html).

#### **15 My spouse passed away. Am I eligible for survivor benefits?<sup>15</sup>**

If you are the widow or widower (or, in some cases the former spouse) of a person who was entitled to Social Security benefits, you may be eligible to collect full survivor benefits at your survivor's full retirement age, and reduced benefits as early as age 60. If you were disabled within 7 years of the death of your spouse, you may be entitled to claim survivor benefits as early as age 50. Further, if you are caring for an eligible dependent, you may also be entitled to collect caregiver benefits. For further information regarding survivor benefits, refer to [www.ssa.gov/planners/survivors/ifyou2.html](http://www.ssa.gov/planners/survivors/ifyou2.html).

#### **16 Are my children entitled to dependent benefits under my work record?<sup>16</sup>**

When you qualify for Social Security retirement benefits, your children may also qualify for benefits under your work record. Eligible children include those who are unmarried, under age 18 (or 19, if still in grade 12 or lower), or 18 or older if disabled before the age of 22. There is a limit to how much a family may receive under one work record. This is called the family maximum. For more information, please visit [www.ssa.gov/planners/retire/yourchildren.html](http://www.ssa.gov/planners/retire/yourchildren.html).

<sup>15</sup>Social Security Administration - Benefits Planner (Survivors): Planning for Your Survivors - Widow or Widower, April 2020.

<sup>16</sup>Social Security Administration - Benefits Planner (Survivors): Planning for Your Survivors - Benefits for Your Children, April 2020.

This information is being provided to you by a Licensed Insurance Agent. Please note that financial professionals can provide information, but not give tax, legal, or Social Security advice. You are encouraged to consult your attorney, tax advisor, or the Social Security Administration via your local office or online at [ssa.gov](http://ssa.gov). Your financial professional may be able to identify potential retirement income gaps and may introduce insurance products, such as a fixed index annuity, as a potential solution.

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