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The Power of Social Security:

Three things you need to know



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“

Knowledge is a process of piling up facts; wisdom lies in their simplification.

—Martin Luther King, Jr.

While over 30 million Americans are expected to turn retirement age by 2030, only 20% of workers feel they understand Social Security very well, and only 25% of retirees feel the same.*

If you can relate to this, know that you're not alone.

Funding the retirement you want is complicated. This workbook is designed to help you feel more confident about one of the most stressful aspect of that process, Social Security. It's a benefit that makes up a significant part of many retirement income plans, but it can also be overwhelming.

This workbook will help you:

- Dispel common misconceptions.
- Cut through the clutter to build your foundational understanding of the three types of Social Security benefits and the importance and impact of timing on each.
- Build confidence in the role Social Security benefits play in your overall retirement income strategy.

When you're done with this workbook, consider sharing it with your financial professional as you build the retirement income strategy that's best for you.

Let's get started.

*EBRI Retirement Confidence Survey (2024).

This material is for educational purposes only. Examples are designed to provide a foundational understanding of how Social Security benefits work. Consult a financial professional and/or the Social Security Administration for questions related to your personal situation.

Do you feel this way?



**I'm concerned
about outliving
my money.**



**How do I decide
when to start
Social Security?**



**I don't want to
make a mistake.**

You're not alone. Identifying how you're feeling about Social Security, and ultimately your retirement, is a great place to begin the conversation with your financial professional.

What feelings or concerns do you have when you think about Social Security and developing your retirement income strategy?

Common Misconceptions

There are a lot of misconceptions regarding Social Security. It's important to know the facts to help you make the best decision for you and put your worries to rest.

Remember...



Be proactive. Social Security payments do not begin automatically. You need to take action to begin payments.

#1 Social Security is going away.

THE REALITY?

There are no scenarios where Social Security payments stop.

Here's why: Every payday for almost every working American, money from workers' paychecks flows into the Social Security system. Then it goes right back out again as payments to retirees. That's not changing.

You may also have heard that a reduction in benefits may be coming . . . in about 10 years.* That's because, at that time, there won't be enough money coming in to cover all the promised benefits that are supposed to get paid at that time—and the “extra” money Social Security has collected in the past will be used up ([the Social Security Trust Fund. See glossary](#)).

The change, however, isn't as extreme as you may think. Many people will see no change at all, and many proposals to address the issue include no benefit changes for anyone close to retirement or already receiving benefits.

#2 Social Security payments begin right after you retire from working.

THE REALITY?

Retiring and starting Social Security payments are two separate decisions and do not have to begin at the same time. After all, retirement means different things to different people. Many people think, “If my employment income is stopping, I need something else to replace it. So I should start Social Security.”

But that isn't your only option. You could work part time or change jobs. You could stop working, but your spouse could stay in the workforce. You can also start tapping in to the money you saved for retirement.

The “best decision” is what is right for you.

#3 My full retirement age is when I'm required to stop working and begin Social Security payments.

THE REALITY?

[Full Retirement Age \(FRA\)](#) is a number set by Congress so that the Social Security Administration can calculate benefits. It's not an age where you're supposed to do anything. Everyone's FRA is somewhere between 66 and 67 and can be found on your Social Security statement.

* The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.



Knowledge check



What you do control is **when** you start your payments, and this has significant influence on your outcomes.

Susan is a single career woman who has worked for nearly 40 years. She plans on retiring from her full-time job when she's 62 and dedicating more time to the nonprofit where she volunteers. Her Full Retirement Age (FRA) is 66.

- Since she plans to retire at age 62, should Susan start her Social Security payments at 62?
- Is Susan required to begin her payments by her FRA of 66?

Remember...timing matters.

Just like Susan, you, too, can decide when to begin Social Security payments based on your personal situation.

Answer 1: Susan should begin receiving Social Security payments at the age that is best for her personal situation.

Answer 2: No, Susan does not have to start her Social Security payments when she retires or at her FRA.

Benefits Breakdown



Remember...



If you qualify for more than one benefit, you get the higher benefit—NOT both.

The Social Security Administration offers three retirement benefits:

1. [Your own \(as a worker\)](#)
2. [Spousal](#)
3. [Survivor](#)

For each benefit, we will cover:

- How you qualify
- How much you get
- When you should start these payments



Social Security Benefit #1

Worker Benefit

Consider this:

Concerned about “zeros” appearing in your 35 years of earnings of calculation? Consider working a few more years to replace zeros or lower-earning years to boost your future payments. This may include working part time.

Do I qualify?

- You are at least age 62
- You worked and paid Social Security taxes for 10 years or more

How are payments calculated?

The Social Security Administration takes your highest 35 years of earnings to calculate your monthly payment amount.

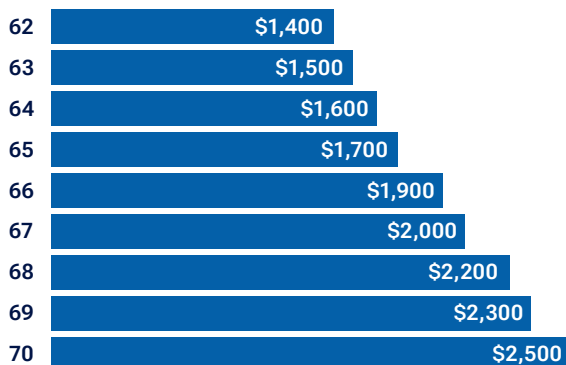
It's important to note that:

- You don't need 10 consecutive years of working, just 10 years (or a total of 40 quarters) in total to qualify.
- If you don't have 35 years of earnings, the Social Security Administration will include zeros for any missing earning years in the benefit calculation.

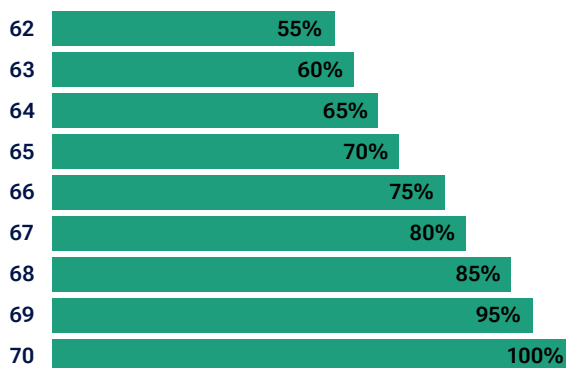


Let's take a look at a sample Social Security statement. This is where you can find your Full Retirement Age, as well as a blue bar chart that includes your anticipated monthly payments based on your birth date.

Monthly Payment Amount



Let's look at the chart another way.



- You receive your maximum Social Security benefit at age 70. If you begin your benefit prior to age 70, you are reducing your monthly payment.
- Although this reduction may seem like only a few hundred dollars each month, over time, this amount can be hundreds of thousands of dollars.

You may have seen Social Security education that says you receive 100% of your benefit at Full Retirement Age, with an increase up to 124% of that at age 70.

Don't be confused. You may have seen the table on the left elsewhere. However, it is better understood as the sample table on the right, which actually includes the same information from the green chart above. Your maximum benefit is at age 70.

Claiming Age	Monthly Benefit as Percent at FRA
62	70%
63	75%
64	80%
65	86.67%
66	93.33%
67	100%
68	108%
69	116%
70	124%



Claiming Age	Total Monthly Benefit as Percent
62	55%
63	60%
64	65%
65	70%
66	75%
67	80%
68	85%
69	95%
70	100%



Knowledge check



Greg has had a job since he was 16, even working full time to put himself through college. Greg has worked hard to save over the years as he plans for the next chapter—retirement. His Full Retirement Age is 67.

What is the maximum payment Greg can receive? \$

62	\$1,400
63	\$1,500
64	\$1,600
65	\$1,700
66	\$1,900
67	\$2,000
68	\$2,200
69	\$2,300
70	\$2,500

Answer: Greg's maximum payment is \$2,500, available at age 70.



Social Security Benefit #2

Spousal Benefit

Did you know...

If an ex-spouse were to start their spousal benefits based on your work record, this does NOT come out of your payments or affect you in any way.

What you do doesn't affect them; what they do doesn't affect you.

Do I qualify?

Spouse

- You are at least age 62
- You have been married for at least one year
- Your spouse has started receiving their payments

Ex-spouse

- You are at least age 62
- Your ex-spouse is at least age 62
- Your marriage lasted at least 10 years
- You have been divorced for at least two years
- You are currently unmarried

How are payments calculated?

Maximum payment = 50% of your spouse's payment at **their** FRA

Let's take a closer look.

STEP 1

We first need to find your spouse's [Full Retirement Age](#) (FRA), which we know is located on their Social Security statement. In this example, your spouse's FRA is 67.

STEP 2

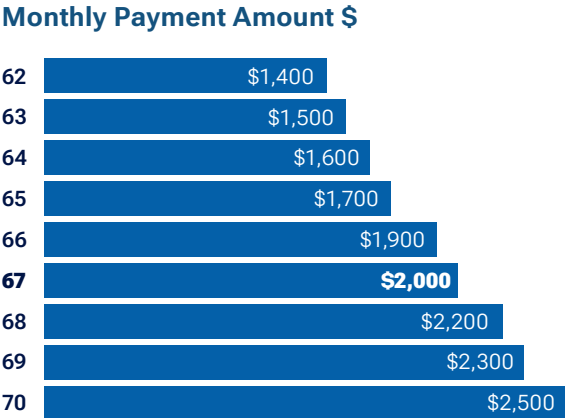
Next, we need to find their monthly payment amount at their FRA, also called the [Primary Insurance Amount](#) (PIA). In this example, your spouse's PIA is \$2,000.

Retirement Benefits

You have earned enough credits to qualify for retirement benefits. To qualify for benefits, you earn credits through your work—up to four each year.

Your full retirement age is **67** based on your date of birth: XX/XX/XXXX. As shown in the chart, you can start your benefits at any time between **ages 62 and 70. For each month you wait to start your benefits, your monthly benefit will be higher—for the rest of your life.**

These personalized estimates are based on your earnings to date and assume you continue to earn \$XXX,XXX per year until you start your benefits. Learn more at [ssa.gov/benefits/retirement/learn.html](#).



STEP 3

Multiply the PIA by 50%.

In this example, your maximum spousal benefit is \$1,000, BUT that maximum only occurs at your FRA.

STEP 4

Your final step is to find **your own FRA** on your Social Security statement.
If you begin receiving your Spousal benefit prior to your FRA, the Spousal benefit will be reduced.

Remember...timing matters.

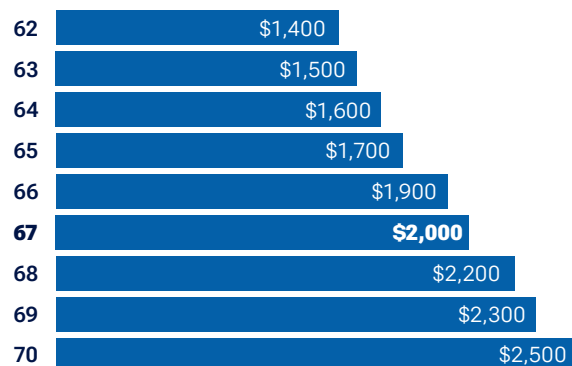


Knowledge check



Cheryl and **David** have been married for 30 years. **David** has worked full time since graduating college, while **Cheryl** stayed home with the kids. **Cheryl** now volunteers at the local library.

David's FRA payment is \$2,000. What is Cheryl's maximum payment at her FRA of 67? \$



Answer: 50% of \$2,000 is **\$1,000**.

What will Cheryl's monthly payment be if she decides to begin receiving payments at age 63? \$



Answer: 75% of \$1,000 is **\$750**.



Social Security Benefit #3

Survivor Benefit

Tip

If you are a surviving spouse or ex-spouse, consider contacting the Social Security Administration to verify exactly what benefits you are eligible to receive.

Do I qualify?

Surviving spouse

- You are at least age 60
- You were married for at least nine months
- You are currently unmarried (or remarried after age 60)

Surviving ex-spouse

- You are at least age 60
- Your marriage lasted at least 10 years
- You are currently unmarried (or remarried after age 60)

How are payments calculated?

Maximum benefit = 100% of spouse's actual payment

For example, if your spouse's payment was \$1,500, the maximum survivor payment is **\$1,500**.

The timing of the worker benefit payment directly impacts the amount of the survivor benefit payment.

If your spouse passes away before you reach your FRA, you can choose to start your benefit as early as age 60. But remember...your survivor benefit will be reduced for the rest of your life.



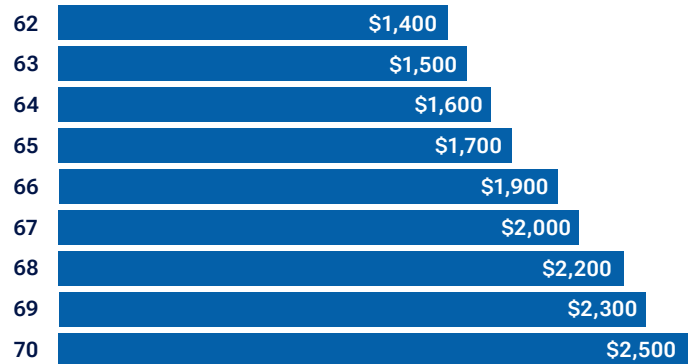


Knowledge check

Sadly, David passed away. He waited until age 70 to start his Social Security payments, so he was receiving \$2,500 per month.

David's actual payment amount was \$2,500.

What is Cheryl's maximum payment at her FRA of 66?



Answer: 100% of \$2,500 is **\$2,500**.

What will Cheryl's monthly payment be if she decides to begin receiving payments at age 64? \$



Answer: 90% x \$2,500 = **\$2,250**.

You can see here how David's decision of when to start his payment has an impact. If he had started at age 62, the most Cheryl could receive as a survivor would have been \$1,400 a month—even less if she started her survivor payment before her FRA.

A few other scenarios to consider...

- If David dies **before** reaching his Full Retirement Age of 67, and hasn't started his payment, Cheryl's maximum survivor amount is \$2,000—the amount at David's FRA.
- If David dies **after** his FRA but before age 70, and hasn't started his payment, Cheryl's maximum survivor amount would be the benefit David would have received if he'd started his payment in the **month of his death**.

Timing matters



Remember...



There's a trade-off with timing: Start your benefit earlier and get a smaller payment for more years, OR wait and get a larger payment. But it's not just your lifetime we're looking at; it's your spouse's as well, because your choice will affect the maximum survivor benefit for them too.

It is **your decision** on when to start your monthly payments

- The (only) choice you get to make
- Area of greatest control
- Significant influence on outcome

Your decision about when to start your payment affects:

- The **amount** you receive
- **When** your spouse can start their spousal payment
- The **amount** your surviving spouse receives as a survivor payment

Now that you've learned about the three types of retirement benefits, take a few minutes to complete the **About You Worksheet** on the following page to begin gathering and assessing your own personal Social Security benefit information.

About You Worksheet

To complete this section, be sure to log in to ssa.gov to download your Social Security statement, and that of your spouse, to get started. Once completed, be sure to share your findings with your financial professional as you develop your complete retirement income strategy.

	How do you qualify?	How are payments calculated?	Do I qualify?
Worker	<input type="checkbox"/> You are at least age 62 <input type="checkbox"/> You worked and paid Social Security taxes for 10 years or more	Highest 35 years of earnings	<input type="checkbox"/> Yes <input type="checkbox"/> No
Spousal	<input type="checkbox"/> You are at least age 62 <input type="checkbox"/> You have been married for at least one year <input type="checkbox"/> Your spouse has started receiving their payments	50% of spouse's payment at their FRA	<input type="checkbox"/> Yes <input type="checkbox"/> No
Ex-spouse	<input type="checkbox"/> You are at least age 62 <input type="checkbox"/> Your ex-spouse is at least age 62 <input type="checkbox"/> Your marriage lasted at least 10 years <input type="checkbox"/> You have been divorced for at least two years <input type="checkbox"/> You are currently unmarried	50% of ex-spouse's payment at their FRA	<input type="checkbox"/> Yes <input type="checkbox"/> No
Survivor – Spouse	<input type="checkbox"/> You are at least age 60 <input type="checkbox"/> You were married for at least nine months <input type="checkbox"/> You are currently unmarried (or remarried after age 60)	100% of spouse's actual benefit	<input type="checkbox"/> Yes <input type="checkbox"/> No
Survivor – Ex-spouse	<input type="checkbox"/> You are at least age 60 <input type="checkbox"/> Your marriage lasted at least 10 years <input type="checkbox"/> You are currently unmarried (or remarried after age 60)	100% of spouse's actual benefit	<input type="checkbox"/> Yes <input type="checkbox"/> No

Worker Benefit

- My birth date is _____.
- My Full Retirement Age (FRA) is _____.
- My Primary Insurance Amount (PIA) is _____.
- My maximum benefit amount at age 70 is _____.

Spousal Benefit (if applicable)

- My working spouse's birth date is _____.
- My working spouse's FRA is _____.
- My working spouse's PIA is _____.
- My spousal benefit at FRA is _____ (50% of spouse's payment at FRA).

Survivor Benefit

- My survivor benefit is _____ (100% of spouse's actual benefit).

Other sources of retirement income I should consider:

	Provider	Amount (\$)
401(k)		
IRAs		
Other investments		
Pension		

I would like to learn more about:

Questions or concerns to discuss with my financial professional:

- When should I start my Social Security payments as a worker (especially if my decision affects someone else)?
- If I qualify for more than one benefit, how do I decide when to start each kind?
- How does this fit into my overall retirement income strategy?

Additional Resources

You've mastered the basics about Social Security, but don't stop there. Take the next step in your learning with this additional content. Below, you'll find a glossary of terms and some suggestions for further reading.

Common Social Security Terminology

Full Retirement Age (FRA): An age set by Congress for the Social Security Administration to use in calculating benefits. The age is currently between 66 and 67 for all Americans.

Primary Insurance Amount (PIA): The Social Security payment amount you are eligible to receive at your Full Retirement Age.

Social Security Trust Fund: Social Security taxes come out of all working Americans' paychecks each pay day and flow directly into the Social Security trust fund. These dollars, in addition to dollars previously saved in the Trust Fund, are then paid out as benefits to retirees. To learn more, visit ssa.gov/OACT/ProgData/describeoasi.html.

Cost-of-living adjustment (COLA): Social Security benefits are adjusted each year to reflect any increase in the cost of living. The purpose of the COLA is to ensure that the purchasing power of Social Security benefits is not eroded by inflation. To learn more, visit ssa.gov/pubs/EN-05-10526.pdf.

Find Out More:

- www.ssa.gov
- [Social Security Administration Fast Facts and Figures \(2023\)](#)
- [Step-by-step instructions on how to retrieve your Social Security statement](#)
- [When should I begin to receive my Social Security benefits?](#)
- [Three ways to make the most of your Social Security income](#)
- [How can I create a smarter strategy for claiming my Social Security benefits?](#)
- [Plan as a couple for important Social Security benefits](#)
- [What to know about Social Security benefits and your taxes](#)
- Household profile guides:
 - [Singles](#)
 - [Married couples](#)
 - [Divorced couples](#)
 - [Surviving spouses](#)

Important Information

This material is for educational purposes only regarding Social Security and provides very simplified content and generic examples. Social Security rules are very complex. There are exceptions, limitations, and rules that may come into play based on very specific facts present in each person's unique situation.

Every person will have a different set of considerations affecting their claiming strategy. Examples are designed to provide a foundational understanding of how Social Security benefits work only. It is critical that, before you take any action, you should consult a financial professional and/or the Social Security Administration who can answer the specific questions related to your personal situation.

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