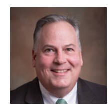
3 Ways to Make the Most of Your Social Security Income

The amount of your benefits in retirement will depend on a few key factors.



Roger Young, CFP®
Thought Leadership Director

KEY INSIGHTS

- Three key factors contribute to the amount of Social Security benefits you'll receive.
- These factors include your work history, the age when you start collecting your benefits, and how you coordinate your benefits with those of your spouse.
- With careful planning, you can make the most of your Social Security retirement benefits.

Social Security benefits are an important part of most retirement income plans. There are three key factors that contribute to the amount you'll receive: your work history, the age when you start collecting your benefits, and how you coordinate your benefits with those of your spouse. The choices you make can affect your Social Security benefit amount. Remember that legislation can also influence Social Security, so it's something to keep an eye on as you plan for retirement.

1: Your work history

Your Social Security benefits are calculated based on your lifetime earnings, with only the top 35 inflation-adjusted earning years counting in the calculation. While there is only so much planning you can do around how much you earn, choosing to work a few extra years can help increase your benefit amount—particularly if you stepped away from the workforce temporarily and have a few zero-earning years among the 35 counted. "Working longer also has the benefit of delaying when you need to start paying for retirement, as well as giving you more time to save," says Roger Young, CFP®, a thought leadership director with T. Rowe Price. Log in to find your earnings history at ssa.gov.

2: The age when you begin claiming Social Security benefits

You can begin claiming Social Security retirement benefits as early as age 62. However, claiming before your full retirement age (FRA) will lead to a permanent reduction in your benefit amount. The longer you wait, the larger your benefit will be—until you reach age 70, at which point additional delays do not result in further increases.

Waiting has a positive impact on your benefit amount. For instance, if you were born in 1962, earned $100,000 each year, and claimed your benefits in 2024 at age 62, you could receive

$20,568 per year. If instead you wait until your FRA (67) and continue to work, your benefits would increase to $31,572 per year—a 54% boost. If you wait until age 70, your benefits would be $40,752 per year, or 97% more than your "early" benefits. These increases are permanent.

The trade-off with any decision to delay is that you won't receive benefits during those early years. "For many people, it makes sense to delay claiming," says Young. "If you live a normal life expectancy, then the effective rate of return you get by waiting for a higher payment is reasonable. However, if you don't expect to live long, or are single and not worried about outliving your funds, then it may be wise not to delay."

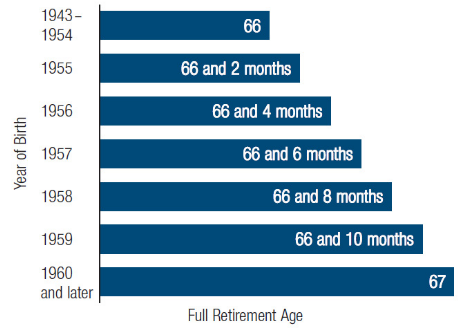
3: Your spouse's benefits

Survivor benefits are an often overlooked part of Social Security benefit planning. If you and your spouse both have earnings histories, you will need to decide when you each should file for your respective benefits. In general, the higher-earning spouse should delay taking benefits as long as possible, up to age 70. When one spouse passes away, the surviving spouse will receive the higher benefit for the rest of their life. "As a couple, there is a very good chance that one of the two of you will live a long enough time for the higher benefits to be worth the delay in claiming," says Young. "If you are the higher-earning spouse, you should strongly consider delaying."

By making informed decisions about Social Security, you can make the most of your retirement benefits. Those decisions, combined with appropriate planning, mean you can approach retirement with more confidence in your financial security.

Your Full Retirement Age

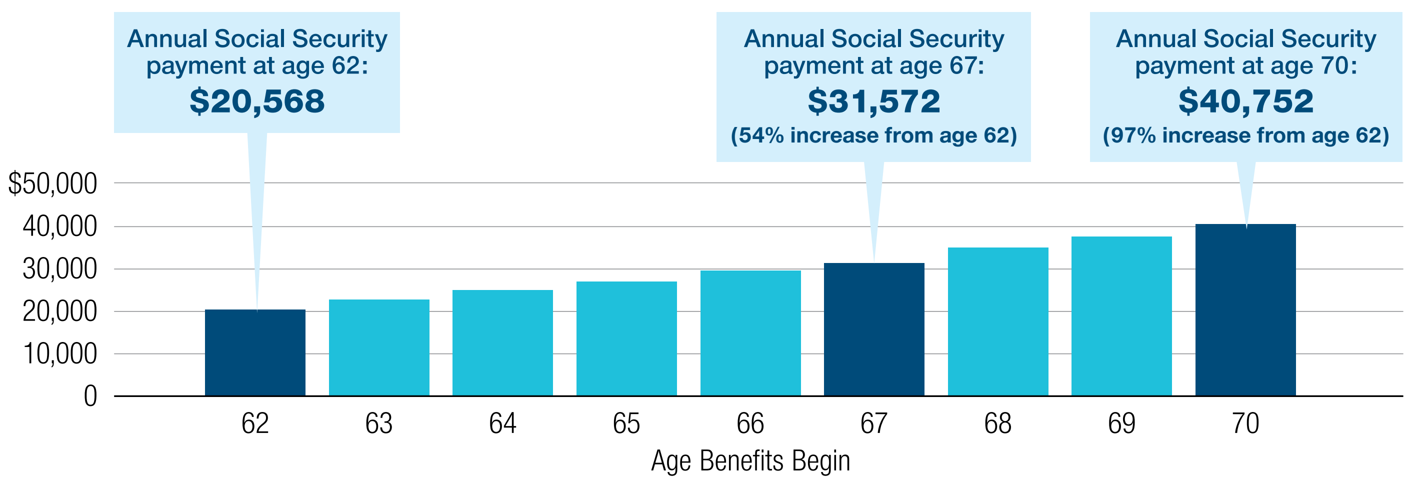
FRA varies depending on your birth year.



Source: SSA.gov.

The Real Benefits of Delaying Social Security

Each year you delay claiming your benefits may translate into a permanent increase in your benefit amount.



Social Security payments calculated using the Quick Calculator on the ssa.gov website. Assumes an individual who is age 62 in 2024 (with a full retirement age of 67 years) and is continuing to work and earn $100,000 each year until claiming benefits. All figures reflect current dollars. Actual benefits would be higher to reflect future adjustments for inflation.

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