

Everything You Need
to Know About
Social Security



Social Security has been a cornerstone of retirement planning for generations, providing essential financial support to millions of Americans. Established during the Great Depression, this program has evolved to meet the needs of retirees, disabled individuals, and families who have lost a loved one. While the system is designed to provide stability, understanding how to maximize your benefits is key to achieving your retirement goals.

Retirement means different things to different people—whether it’s spending time with family, traveling, or pursuing a new passion. No matter your vision, careful planning can help turn your dreams into reality. Social Security benefits play a significant role in many retirement plans, and knowing when and how to claim them can make a substantial difference in your financial future.

This guide is designed to help you navigate the complexities of Social Security. From understanding eligibility and benefit options to making informed decisions about when to start collecting, you’ll find the insights you need to plan effectively. Along the way, we’ll share key statistics, timeless strategies, and expert tips to help you get the most from this critical program. For the most up-to-date information, refer to the Social Security Administration’s resources or consult a financial advisor.

Let’s explore everything you need to know about Social Security and how it fits into your journey toward a secure and fulfilling retirement.

Social Security Eligibility

Social Security benefits are available to individuals who meet specific criteria based on their work history and contributions to the Social Security system. The program is funded through payroll taxes, and eligibility is determined by earning a sufficient number of credits during your working years.

Key Points:

- **Earning Credits:** You earn credits by working and paying Social Security taxes. Most people need 40 credits (equivalent to about 10 years of work) to qualify for retirement benefits.
- **Work History:** Benefits are calculated based on your highest-earning 35 years of work. If you have fewer than 35 years of earnings, zeros are factored into the calculation.
- **Family Benefits:** In addition to individual benefits, family members such as spouses, children, and survivors may also be eligible for benefits under certain conditions.

Important Considerations:

Eligibility rules can vary for different types of benefits, such as disability or survivor benefits. It’s essential to review your Social Security statement regularly to track your earnings and ensure they are recorded accurately. This statement can be accessed online through the Social Security Administration’s secure portal.

For more detailed information, visit the official Social Security Administration website or consult with a financial advisor to understand how these rules apply to your situation.



Nearly nine out of ten individuals age 65 and older receive Social Security benefits.

Source: Social Security Administration, "Fast Facts & Figures About Social Security," 2023

Claiming Benefits While Working

Balancing work and Social Security benefits requires careful planning, especially if you're considering claiming benefits before reaching full retirement age (FRA). Your earnings can impact the benefits you receive, and knowing how these rules work can help you make the best decision for your financial situation.

If you're under FRA and your earnings exceed the annual limit, Social Security will withhold \$1 for every \$2 earned over the threshold. In the year you reach FRA, the rules become more flexible, with \$1 withheld for every \$3 earned over a higher limit, and only until the month you reach FRA. Once you hit full retirement age, your benefits will no longer be reduced regardless of your earnings.

The earnings test can seem like a significant drawback, but it's important to recognize its long-term benefits. Any benefits withheld are recalculated and credited back to you once you reach FRA. This adjustment can lead to higher monthly payments later in retirement, making it a strategic option for individuals with higher earning potential before FRA.

Considerations for Claiming Benefits While Working:

- **Earnings Limits:** Understand the annual earnings threshold for your age and how exceeding it can impact your benefits.
- **Future Adjustments:** Benefits withheld due to earnings will be recalculated, potentially increasing future payments.
- **Additional Earnings:** Continuing to work while receiving benefits may result in a higher overall benefit amount if new earnings surpass prior years.
- **Timing Matters:** Consider whether claiming early aligns with your long-term financial goals or if waiting could provide greater security.

Working while claiming benefits is a personal decision that depends on your financial goals, health, and retirement timeline. Consulting with a financial advisor can help you weigh the pros and cons of early claiming versus waiting to maximize your benefits.

Retired workers and their dependents account for 73.2% of total benefits paid.

Source: Social Security Administration, "Fast Facts & Figures About Social Security," 2023



Life Expectancy Considerations

When planning for retirement, life expectancy plays a critical role in deciding when to claim Social Security benefits. Understanding how long you might live based on personal and family health history can help you optimize your benefit strategy.

Women generally have longer life expectancies than men, which means they may need to plan for additional years of income. For example, the average life expectancy for a man at age 65 is approximately 84 years, while for a woman it is about 87 years. Couples also need to consider the likelihood that one partner will outlive the other and the impact this may have on survivor benefits.



The average life expectancy at age 65 was 84 years for men and 87 years for women.

Source: Centers for Disease Control and Prevention, "National Vital Statistics Reports," 2023

Delaying benefits past your full retirement age can significantly increase your monthly payment. For each year you wait, up to age 70, your benefit amount grows by approximately 8%. This strategy can provide additional financial security in later years, especially if you live longer than average.

Key Factors to Consider:

- **Personal Health:** If you're in good health and have a family history of longevity, delaying benefits may be beneficial.
- **Survivor Benefits:** Spouses may benefit from delaying the higher earner's benefits to maximize survivor income.
- **Inflation Adjustments:** Social Security benefits are adjusted for inflation annually, ensuring that delaying benefits can provide even greater purchasing power in the future.

Making decisions about when to claim Social Security benefits requires careful thought. Discussing your options with a financial advisor can provide clarity and help you align your claiming strategy with your overall retirement goals.

If You Are Married

For married couples, planning for Social Security involves considering how to maximize benefits as a team. Whether one spouse was the primary earner or both worked throughout their careers, the way you file for benefits can significantly affect your household income during retirement. A well-coordinated claiming strategy can provide long-term financial security and ensure that both spouses' needs are met throughout their lifetimes.

Effective planning also includes taking into account each spouse's individual work history and expected longevity. In households where one spouse earned significantly more, it often makes sense to prioritize delaying the higher earner's benefits while using the lower earner's benefits to cover immediate needs. This approach ensures the surviving spouse will receive the maximum survivor benefit available if the higher earner passes away first.



According to the Social Security Administration, nearly 21% of married couples aged 65 and older rely on Social Security for 90% or more of their income.

Source: Social Security Administration, "Income of the Aged Chartbook," 2023

Key Considerations for Married Couples:

Spousal Benefits:

- A spouse can receive up to 50% of the higher earner's full retirement age benefit.
- Spousal benefits are reduced if claimed before full retirement age.

Survivor Benefits:

- When one spouse passes away, the surviving spouse may receive the higher of their own benefit or the deceased spouse's benefit.
- Maximizing the higher earner's benefit can increase survivor income.

Coordinated Claiming Strategies:

- The lower-earning spouse might claim benefits earlier, while the higher earner delays benefits to maximize future income.
- Consider the 62/70 split: one spouse claims at 62, while the other waits until 70 to maximize their payout.

Practical Tips:

1. Review both spouses' Social Security statements together to determine your potential benefits.
2. Factor in life expectancy, health, and retirement goals when deciding who claims first.
3. Speak with a financial advisor who specializes in retirement planning to create a tailored strategy.
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Who Files First?

Deciding which spouse should file for Social Security benefits first can significantly impact a couple's financial well-being in retirement. By coordinating claiming strategies, married couples can maximize lifetime benefits and ensure financial stability for both partners.

When the Lower-Earning Spouse Files First:

Benefits: Filing early can provide a steady income stream to cover immediate expenses while allowing the higher-earning spouse's benefits to grow.

Strategy: This approach is often referred to as the 62/70 split, where the lower-earning spouse claims at 62 while the higher-earning spouse delays until age 70 to maximize benefits.

When the Higher-Earning Spouse Files First:

Benefits: Claiming early may not be the best option for the higher earner, as their delayed benefits can significantly boost survivor benefits for the lower-earning spouse.

Strategy: The higher-earning spouse should generally delay filing to maximize the benefit amount, particularly if they expect to live longer than average.



Key Considerations:

Health and Longevity: Assess both spouses' health and family history to determine whether delaying benefits is advantageous.

Immediate Financial Needs: Filing early might make sense if the couple requires additional income right away.

Survivor Benefits: Remember that delaying the higher earner's benefits will increase the amount available to the surviving spouse.

Coordinating who files first and when can be complex, but the right strategy can make a significant difference in retirement income. Working with a financial advisor to analyze your specific situation is often the best way to make an informed decision.

Survivor's Benefits

The loss of a loved one is emotionally challenging, and for many, it also brings financial uncertainty. Social Security survivor benefits are designed to provide financial support to the surviving spouse and dependents of a deceased worker, offering stability during a difficult time.

Survivor benefits are calculated based on the deceased spouse's benefit amount. If the deceased spouse had not claimed Social Security, the survivor benefit is determined as if they had claimed at full retirement age. Surviving spouses who wait until their own full retirement age to claim these benefits can receive up to 100% of the deceased spouse's benefit amount.

Who is Eligible?

Surviving Spouses:

- Can claim benefits as early as age 60 (or age 50 if disabled).
- If the surviving spouse remarries before age 60, they generally forfeit eligibility unless the later marriage ends.

Dependent Children:

- Unmarried children under age 18 (or 19 if still in high school) are eligible.
- Benefits may also be available to disabled children regardless of age if the disability began before age 22.

Other Family Members:

- In some cases, elderly parents or stepchildren may qualify for benefits if they were financially dependent on the deceased.



Over 5 million survivors received Social Security benefits, providing vital support to families across the country.

Source: U.S. Social Security Administration, "Annual Statistical Supplement," 2023.

Key Considerations:

1. Survivor benefits are separate from the surviving spouse's own Social Security benefits, meaning the higher of the two amounts will be paid, not both.
2. Delaying survivor benefits until full retirement age maximizes the monthly payment amount.
3. Surviving spouses can switch between benefits if it is advantageous, such as starting with survivor benefits and later switching to their own retirement benefit.

Collecting as a Divorcee

Social Security benefits aren't just for married couples—divorced individuals may also be eligible for benefits based on their ex-spouse's work history. This can provide much-needed financial support in retirement, especially for individuals who may not have earned enough on their own to qualify for higher benefits.

To collect benefits as a divorcee:

Key Eligibility Criteria:

Marriage Duration: You must have been married to your ex-spouse for at least 10 years.

Marital Status: You must currently be unmarried. If you remarry, you generally forfeit eligibility unless the subsequent marriage ends.

Age: You must be at least 62 years old to claim benefits.

Ex-Spouse's Eligibility: Your ex-spouse must be eligible for Social Security benefits, though they do not need to have claimed them yet.

Important Considerations:

Benefit Amount: You may receive up to 50% of your ex-spouse's full retirement age benefit amount. If you qualify for your own benefits, you will receive whichever amount is higher but not both.

Impact on Ex-Spouse: Your claim does not affect your ex-spouse's benefits or their current spouse's benefits.

Survivor Benefits: If your ex-spouse passes away, you may be eligible for survivor benefits, which could be up to 100% of their benefit amount.

For divorced individuals, claiming Social Security benefits can provide a vital financial safety net in retirement. Understanding the eligibility requirements and available options is crucial to making the most of these benefits. A significant advantage is that your claim does not impact your ex-spouse's benefits or those of their current spouse, allowing you to access this support without creating additional complications.

It's also important to explore survivor benefits if your ex-spouse passes away. These benefits can be as much as 100% of the deceased ex-spouse's entitlement, offering substantial financial support. This is particularly critical for individuals who may have relied heavily on their ex-spouse's earnings during the marriage. Careful planning and consultation with a financial advisor can help divorced individuals align their Social Security strategies with their broader retirement goals.



Nearly 20% of divorced women aged 65 and older lived below the poverty line, highlighting the importance of understanding all available benefits

Source: U.S. Census Bureau, "Income and Poverty in the United States," 2023.

Tax Considerations

Understanding the tax implications of Social Security benefits is crucial for effective retirement planning. Depending on your total income and filing status, a portion of your benefits may be taxable. This can affect how much income you actually receive during retirement and influence your broader financial strategy.

Social Security benefits are subject to federal taxation if your combined income exceeds a certain threshold. Combined income includes your adjusted gross income (AGI), nontaxable interest, and half of your Social Security benefits. For individual filers, up to 50% of your benefits may be taxed if your combined income is between \$25,000 and \$34,000. If it exceeds \$34,000, up to 85% of your benefits may be taxable. For joint filers, these thresholds are \$32,000 and \$44,000, respectively.

In addition to federal taxes, some states also tax Social Security benefits. Currently, 12 states impose taxes on these benefits, though the rules and exemptions vary widely. It's important to know your state's tax laws to avoid unexpected financial obligations.

Key Points to Consider:

- **Roth IRA Advantage:** Distributions from Roth IRAs are not included in combined income, which can help reduce or eliminate taxes on Social Security benefits.
- **Timing of Withdrawals:** Strategic withdrawals from retirement accounts can help you stay below taxable thresholds.
- **State Taxes:** Research whether your state taxes Social Security benefits and plan accordingly to minimize tax liabilities.

Proper planning can help you minimize taxes on your Social Security benefits and retain more of your retirement income. Consulting with a tax advisor or financial planner can provide personalized strategies to optimize your finances.



Maximizing Your Social Security Strategy

Social Security remains a vital component of retirement planning, offering financial stability to millions of Americans. Whether you're evaluating your eligibility, deciding when to claim benefits, or navigating the complexities of tax considerations, understanding the program can empower you to make informed decisions. Key factors like life expectancy, marital status, and income levels all play a role in determining how to maximize your benefits.

For married couples, coordinating claiming strategies can enhance lifetime benefits and provide long-term security. Divorced individuals can also benefit from the program by leveraging their ex-spouse's work history, ensuring financial support during retirement. Meanwhile, survivor benefits serve as a critical safety net for families experiencing loss, while tax-efficient planning can help retirees retain more of their income.

Navigating these decisions can be overwhelming, but you don't have to do it alone. Consulting with a financial advisor can provide the guidance you need to tailor your Social Security strategy to your unique situation. A professional can help you evaluate your options, plan for the future, and ensure that your retirement years are as secure and fulfilling as possible.

Start planning today to make the most of your Social Security benefits. The decisions you make now can have a lasting impact on your financial health and peace of mind in retirement.

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