

SOUND STRATEGIES

Social Security

People approaching retirement usually have two questions about Social Security: “Will it be there for me?” and “When should I start taking Social Security benefits?”

Social Security: Will it be there?

Social Security’s long-term financial health has received plenty of press. If you’re 50 or older, you’re less likely to be significantly affected by the system’s financial challenges.

If you’re wondering whether Social Security will be there for you, keep in mind:

- **Social Security benefits are projected to be fully payable until 2033**, according to the Social Security Administration publication Fast Facts & Figures about Social Security, 2024.
- **Social Security is politically sensitive.** Older voters – the people receiving Social Security benefits – have very high voter turnout rates. Politicians are unlikely to reduce benefits for those currently receiving or about to receive benefits. Changes are more likely to affect future recipients.
- **At some point, inaction will be too risky.** In 1983, Social Security was thought to be months from running a deficit. Democrats and Republicans came together to make changes that could sustain the system for several more decades. In 2015 the Bipartisan Budget Act included a section intended to “close Social Security loopholes.” Demographic trends continue to work against the system’s finances, and further changes will be necessary.



With a sound strategy, your financial professional can help you prepare your retirement income for what matters most.

Go to ssa.gov to create an account so you can view your earnings on which you paid Social Security taxes and the estimated retirement benefits you may receive in the future.

Think carefully before deciding when to receive Social Security benefits. This is one of the most important retirement decisions you’ll make. Your financial professional can help.

Monitor the news on Social Security and potential changes to benefits and taxes. You’ll want to consider the source of Social Security news and information.

Use the official Social Security website, ssa.gov, for benefit and program information.

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Social Security and your retirement

If you will be retiring in the next decade, many experts think that you can plan on receiving your full Social Security benefit payments. Although tax and benefit changes are most likely to affect younger workers, you still may wish to use conservative assumptions in planning how to use future Social Security benefits.

A solution that creates a financially sustainable system is likely because of the potentially catastrophic impact of doing nothing. The program's scope, the number of people who rely on it as their main source of income, and the range of options for addressing financial shortfalls should eventually spur action to make improvements.



Where we are, and how we got here

Social Security's future financial difficulties are rooted in its past. The system was created in 1935 and funded on a "pay as you go" basis. The taxes collected from today's workers pay benefits to today's retirees. Social Security's finances remained sound as long as workers significantly outnumbered retirees, as in the 1930s.

But demographics changed

The number of retired workers is projected to double in about 50 years. Lifespans are longer. Birth rates dropped. The proportion of worker to retirees shrank from over 8 to 1 in 1955 to 2.7 to 1 in 2023. Tax and other noninterest income no longer fully cover program costs. The redemption of Social Security Trust Fund asset reserves is estimated to allow for full payment of scheduled benefits to 2033.

Fast Facts & Figures about Social Security, 2024

Social Security: When should I take it?

The second most frequently asked question about Social Security is when to begin receiving benefits.

A few facts:

- **Qualifying workers born before 1938 are eligible for full benefits** (their "full retirement age" in Social Security jargon) at age 65. For anyone born between 1943 and 1954, full benefits begin at age 66. As the chart on the next page shows, the eligibility age goes up gradually with year of birth, topping out at age 67 for anyone born after 1960.
- **Those who wait until after full retirement age to start receiving payments receive annual benefit increases.** Benefits go up 7-8% each year a worker waits (up to age 70) after qualifying for full benefits.
- **Benefits can be received as early as age 62.** Payments are reduced about 6% annually for each year benefits are received before the worker's full retirement age. Someone receiving Social Security at age 62 with a full retirement age of 66 would find their benefits about 25% lower than their full retirement age benefit.
- **If you receive Social Security payments before your full retirement age and continue to work, your benefits will be reduced.** Benefits are reduced by \$1 dollar for every \$2 you receive above a preset limit, which adjusts annually. Once you reach the full retirement age, you can receive benefits with no limits on earnings.

SOCIAL SECURITY FULL RETIREMENT AGE

Year of birth	Full retirement age
1937 or earlier	65
1938	65 and two months
1939	65 and four months
1940	65 and six months
1941	65 and eight months
1942	65 and 10 months
1943-1954	66
1955	66 and two months
1956	66 and four months
1957	66 and six months
1958	66 and eight months
1959	66 and 10 months
1960 or later	67

ssa.gov

While some experts recommend delaying benefits as long as financially possible, there's no one answer for everyone. The best age for you to begin receiving benefits depends on a number of factors, including when you plan to stop working, how much you've saved, your health, your marital status, what your spouse earns and other factors.

This is such an important decision, you want to get it right. It's a good idea to draw on the expertise and independent perspective of a financial professional to help you determine your best approach.

You should consult your tax advisor regarding your own tax situation.

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