

SOCIAL SECURITY 2023



Maximizing Social Security
in Today's World



Are You Part of the 96%?

Many Americans rely primarily on Social Security in retirement, and even if you don't, you still want to know how to claim your maximum benefit. Although you will most likely not be able to maintain your current lifestyle on a Social Security benefit alone, it can make up a significant portion of your income and is guaranteed for as long as you live. Despite its importance, it's estimated that only 4% of retirees claim Social Security benefits at the optimal time, losing out on an average of \$111,000 per household, according to a recent study. Don't be part of the 96% who don't claim their maximum benefit.¹

The Future of Social Security

The Social Security trust fund is expected to be depleted in the near future, at which point payroll taxes would only cover about 76% of promised benefits. There are a few reasons for this: Many people retired during the pandemic and started taking benefits, and at the same time less was collected in payroll taxes due to high unemployment. As more Baby Boomers retire and claim benefits, the Social Security system will continue to be under strain.²

While these facts might seem to pose an existential threat to the program, that is not quite the case. As long as people work, Social Security will have a source of funding. And it's very unlikely that Washington will ever scrap Social Security entirely, since so many retired Americans rely on it. However, lawmakers might very well reduce benefits and/or increase taxes in the future. We could see several changes during the Biden presidency, in terms of how the program is funded and how much it pays out to current beneficiaries.

This means that having a plan for maximizing your benefit is essential. Benefits are designed to replace about 40% of income³, but this percentage can be higher or lower depending on your earnings history, income needs, and success in maximizing benefits. There are many ways to claim, and the right strategy depends on the individual. In this guide, we'll cover what you should know in order to help maximize your benefit, and how Social Security has changed for 2023.

¹ <https://www.usatoday.com/story/money/2019/06/28/social-security-claim-too-early-and-lose-100-000-retirement/1572620001/>

² <https://www.cnbc.com/2021/09/13/op-ed-social-security-trust-fund-will-die-in-2033-time-to-act-is-now.html>

³ <https://www.ssa.gov/benefits/retirement/learn.html>

Your Benefit and Inflation



The Cost-of-Living Adjustment (COLA) for 2023 is 8.7% - the largest since 1981.⁴

This year's 8.7% cost-of-living COLA is meant to offset the high inflation of 2022. Although this year's increase is the biggest in almost 40 years, it doesn't necessarily mean that benefits will keep up with inflation. The average Social Security benefit has lost a third of its value since 2000, according to the Senior Citizens League.⁵ This is largely because benefit increases have not kept up with the increasing cost of prescription drugs, food, and housing. Expenses for Social Security beneficiaries have risen twice as fast as the yearly cost-of-living adjustment (COLA) since 2000, despite relatively low inflation rates. And in some years, the COLA adjustment has been as low as 0.3% for 2016 and even 0% for 2015. Just as you should consider the long-term effects of inflation on your Social Security benefit, you should consider its effects on your other sources of retirement income and savings.

JANUARY 2003 - 1.4%
JANUARY 2004 - 2.1%
JANUARY 2005 - 2.7%
JANUARY 2006 - 4.1%
JANUARY 2007 - 3.3%
JANUARY 2008 - 2.3%
JANUARY 2009 - 5.8%
JANUARY 2010 - 0.0%
JANUARY 2011 - 0.0%
JANUARY 2012 - 3.6%
JANUARY 2013 - 1.7%
JANUARY 2014 - 1.5%
JANUARY 2015 - 1.7%
JANUARY 2016 - 0.0%
JANUARY 2017 - 0.3%
JANUARY 2018 - 2.0%
JANUARY 2019 - 2.8%
JANUARY 2020 - 1.6%
JANUARY 2021 - 1.3%
JANUARY 2022 - 5.9%
JANUARY 2023 - 8.7%

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⁴ <https://www.forbes.com/advisor/retirement/social-security-cola-2023/>

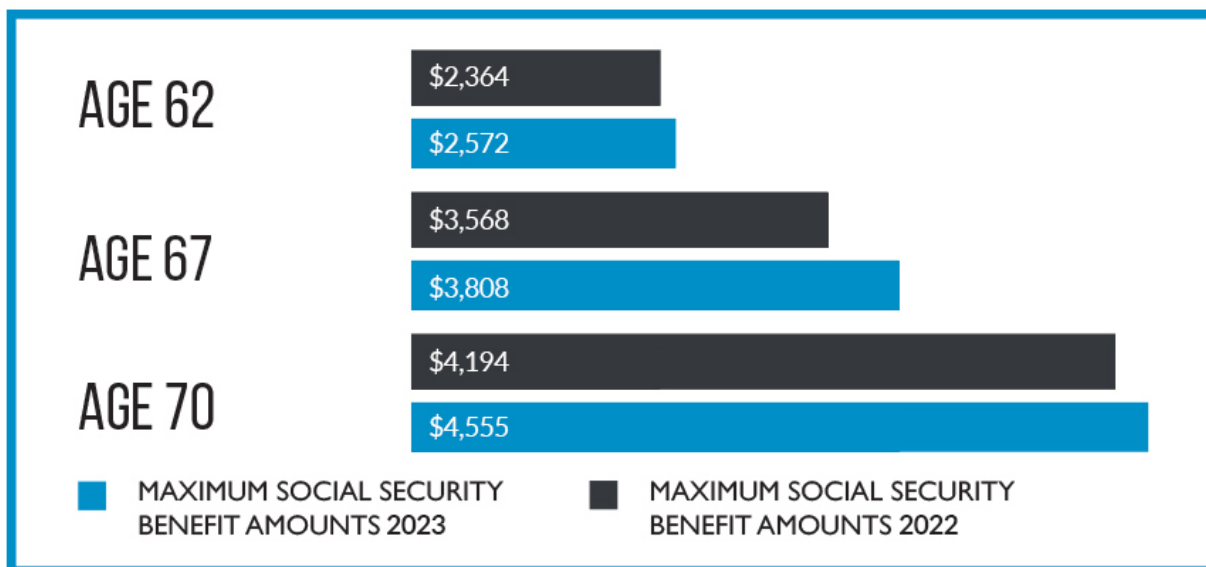
⁵ <https://nationalinterest.org/blog/politics/social-security-cost-living-adjustment-not-enough-according-senior-citizens-league>

⁶ <https://www.ssa.gov/oact/cola/colaseries.html>

Maximum Taxable Earnings Increase to \$160,200

In 2022, employees were required to pay a 6.2% Social Security tax (with their employer paying an additional 6.2% on their behalf) on income up to \$147,000. Any earnings above that amount were not subject to the tax. In 2023, the tax rate will remain the same, but the cap will increase to \$160,200.⁷

As the taxable maximum increases, so does the maximum amount of earnings. In 2023, the maximum monthly benefit for retirees who claim at their maximum retirement age is \$4,555.⁸ The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you want to claim past your full retirement age, your benefit will increase by 8% per year you defer until age 70 for beneficiaries born in 1943 or after.⁹



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7 <https://www.ssa.gov/oact/cola/cbb.html>

8 <https://www.koamnewsnow.com/i/3-signs-you-wont-qualify-for-social-securitys-maximum-benefit-in-2023/>

9 <https://www.ssa.gov/benefits/retirement/planner/delayret.html>

10 <https://www.ssa.gov/oact/cola/examplemax.html>

What's Your Full Retirement Age?

Although you can claim Social Security as early as age 62, this is not anyone's full retirement age (FRA). Full retirement age is set to increase in two month increments until it is 67 for all new beneficiaries.

Use the [Social Security Retirement Age Calculator](#) or the chart below.



Year of Birth *	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

* If you were born on January 1st of any year, you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and your full retirement age) as if your birthday was in the previous month.)



Note This Change

Over time, the Social Security Administration has slowly stopped mailing out most Americans' Social Security benefit statements and instead encourages people to access their statements online. Be aware that only those 60 and over who have not claimed their benefits and did not set up an online account will still receive a statement by mail.

MAKE SURE YOUR WORK COUNTS

It's important to check your earnings statement regularly to make sure you are getting credit for the taxes you're paying into the system. To make an online account, either look for a letter with an activation code or go onto the Social Security administration's website and use a valid email address to create a [My Social Security Account](#). This way you can check that your earnings history and paid Social Security taxes paid have been recorded.



Are You Planning To Work In Retirement?

In a recent study, 72% of Americans said they plan to do some kind of paid work in retirement.¹¹ And while there are good reasons to work in retirement, earning extra income while receiving Social Security could mean a reduction in monthly benefits.



Social Security beneficiaries under their full retirement age who earn more than \$21,240 in 2023 will have \$1 withheld for every \$2 they earn above this limit. This earnings limit jumps to \$56,520 in the year recipients reach their full retirement age.¹² Once recipients reach their full retirement age, there is no income limit on earnings. Earnings are defined as the wages you make from your job, including any bonuses, commissions, and vacation pay, or your net earnings if you're self-employed.¹³

11 <https://www.investopedia.com/articles/personal-finance/101515/planning-retiring-later-think-again.asp>

12 <https://money.usnews.com/money/retirement/social-security/articles/what-happens-if-you-work-while-receiving-social-security>

13 <https://www.ssa.gov/cola/>



Work Credit Earnings Rise

The earnings required for one work credit rises from \$1,510 to \$1,640 per quarter for 2023.¹⁴ These credits are the “building blocks” the Social Security Administration uses to calculate whether you qualify for benefits and the amount you’re entitled to. In most cases, to qualify for benefits you’ll need a minimum of 40 credits.¹⁵

Go for the Maximum Benefit!

If you earned more than the Social Security taxable wage limit for 35 years, then you may be eligible for the highest possible benefit. New retirees claiming in 2023 at FRA can now receive a maximum monthly benefit of \$4,555. In comparison, the maximum monthly benefit you can receive claiming at age 62 is \$2,572 in 2023.¹⁶



¹⁴ <https://www.yahoo.com/video/social-security-raises-credit-amount-105900534.html>

¹⁵ <https://www.aarp.org/retirement/social-security/info-2020/biggest-social-security-changes-for-2021.html#:~:text=One%20work%20credit%20is%20the,you%20earn%20at%20least%20%245%2C880.>

¹⁶ <https://www.ssa.gov/oact/cola/examplemax.html>

DID YOU KNOW?

It's estimated that retirees will collectively lose \$3.4 trillion in potential income during their retirement because they claimed Social Security at a financially sub-optimal time, or an average of \$111,000 per household.¹⁷ Compute the effect of early or delayed retirement by using the Early or Late Retirement Calculator:

https://www.ssa.gov/oact/quickcalc/early_late.html

¹⁷ <https://www.forbes.com/sites/ashleaebeling/2019/06/28/only-4-of-retirees-claim-social-security-at-optimal-time-leaving-3-4-trillion-on-table/?sh=2fab3b541fd0>



Are You Married? Divorced? Widowed? Re-married?

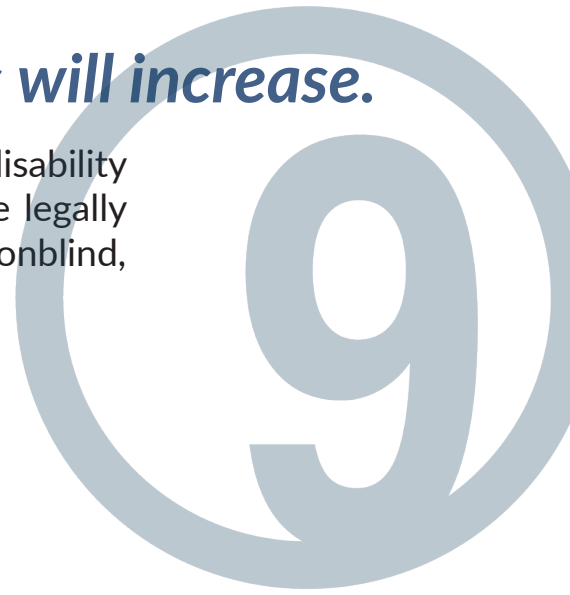
Even if you don't qualify for your own Social Security benefit, you could qualify for a spousal benefit. If you have reached your full retirement age and have been married for at least one year, you can claim a Social Security spousal benefit worth up to 50% of your spouse's benefit. You will receive less than 50% of your spouse's benefit if you claim spousal benefits before your full retirement age, but you will not receive more than 50% by waiting past your full retirement age to claim.¹⁸

“What if I'm divorced?” you might ask. If you were married for at least 10 consecutive years, have been divorced for at least two years, and are not remarried, you can still claim a spousal benefit worth half of your ex-spouse's benefit after you turn your full retirement age. If your spouse is remarried, it will not affect your spousal benefit.¹⁹

¹⁸ <https://www.ssa.gov/benefits/retirement/planner/applying7.html>
¹⁹ <https://www.ssa.gov/benefits/retirement/planner/applying7.html>

Social Security disability payments will increase.

About 10 million Americans qualify for Social Security disability payments, and these have increased slightly for 2023. The legally blind can receive a maximum of \$2,460 a month. For the nonblind, the maximum benefit will increase to \$1,470.²⁰



²⁰ <https://www.ssa.gov/oact/cola/sga.html>

LET'S REVIEW YOUR UNIQUE OPTIONS AND STRATEGIES

Regardless of changes, for most people your ultimate goal should be to receive the largest benefit for the longest amount of time possible. There are countless factors that go into the “when” and “how” to claim your Social Security, and all of those factors relate back to your individual situation. We invite you to come into our offices to go over your options and see if we can find a strategy that works for you.

Click to Request Your Complimentary, Social Security Optimization Review!

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