7 Secrets to Maximizing Your Social Security Benefits

PRAIRIEVIEW
WEALTH & TAX ADVISORS

Social Security benefits can play an important role in your income during retirement, giving you another source of money outside your investments.

Yet, Social Security can remain a mystery to many – how and when do you collect your funds? How much will you get? What about your loved ones? Who can even claim Social Security benefits?

Often, that confusion is stoked by growing budget worries. **Current reports** show that if the program stays on its current track, it will fall short of funding by 2033. The typical dual-income couple is poised to lose $17,400 annually – although that number varies based on income and age, among other factors.

Even with an uncertain future, it's important for Americans to consider how their current decisions (work status, marriage/divorce, etc.) could affect their potential benefits. To help clear the air surrounding the intricacies of Social Security retirement benefits, we're diving into seven little-known Social Security secrets – and how they can benefit you.

Secret 1:

Practicing Patience can Really Pay Off

Many people think that you simply start collecting Social Security retirement benefits when you retire – and while that makes sense, it's not always the case. In fact, you have a span of several years where you can choose to start collecting those funds, beginning at age 62.

However, those choosing to start collecting at age 62 will have a smaller overall benefit than those who wait until their full retirement age (FRA). In Social Security terms, FRA is dependent upon birthday and typically falls between 66-67. The latest you can start claiming benefits is age 70.

In most cases, it's best to wait until the full retirement age to start taking benefits – or if possible, as close to 70 years old as you can manage. As we stated above, choosing to take Social Security benefits before reaching the full retirement age usually results in a reduction in the overall benefit amount you receive.

> Waiting until 70 years old isn't a hard and fast rule – and it won't work for everyone. Your standard of living, health issues or other external factors all contribute to when you specifically should start collecting retirement benefits.

That's because the Social Security administration **uses a calculation to determine your benefit amount** – and that calculation adjusts the benefits based on the number of months before or after your full retirement age that you choose to begin receiving them.

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Secret 2:

Mistakes Happen

It's important to remember that the Social Security Administration isn't infallible, and mistakes do happen. There are **66 million people collecting Social Security benefits** as of 2023 – nearly one in five Americans – and those retirement benefits are just one program overseen by the administration.

Thus, it falls on you to check in on your benefits and ensure everything is in order. And while you likely won't start collecting for several years (or even decades), it's never too late to start monitoring your account.

We recommend that you check your benefits once per year leading up to your retirement. In 2023, you should expect to see **6.2% of your gross pay** taken out each pay period for Social Security. Those that are self-employed will pay both the employee and employer portion of the tax, for a total of 12.4%

Remember, benefits calculations are based on the 35 highest-earning years of your work – if you work for 45 qualifying years, the 10 you were paid the least will drop for the calculation.

If you want to keep an eye on your benefits or estimate your future payouts, it's a good idea to sign up for a **my Social Security account**, which is completely free. Once signed up, you'll be able to get personalized retirement benefit estimates, estimate spousal benefits, request a new card and more.

Essentially, the best way to ensure you get all your due benefits is to look for mistakes before they become a larger problem or are in need of the funds.

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Secret 3:

Spouses Get Special Benefits (Even Former Spouses)

Many people don't know about spousal retirement benefits!

The **Social Security Administration writes**: "When a worker files for retirement benefits, the worker's spouse may be eligible for a benefit based on the worker's earnings." Additionally, the spouse must be 62 years or older, or must have a qualifying dependent in their care.

If your spouse qualifies for their own benefits and for spousal benefits, the administration will pay out whichever amount is higher.

Spousal benefits come in handy when one partner worked for a long period of time, while the other had little to no work history. In these scenarios, the non-working spouse can file for up to 50% of the working spouse's benefit amount – without reducing the working spouse's benefit at all.

Another bonus? These benefits are available **even in cases of divorce**! The requirements include:

- The marriage must have lasted at least 10 years
- The claiming/non-working spouse must not be remarried (although the ex-spouse can remarry without affecting eligibility)
- The claiming/non-working spouse is age 62 or older

You can get an estimate of your potential spousal benefits **through your my Social Security account**. Additionally, it's a good idea to consult with a member of the Social Security Administration or an experienced financial advisor, as several factors like dependents, remarriage and income can affect spousal benefits.

Related: 6 Common Questions and Answers about Social Security Survivors Benefits

Secret 4:

You Can Pause Your Payments

This one is perhaps the best-kept secret of them all: You are allowed to pause your benefits and then start them up again later.

Sometimes, people retire and start receiving benefits, only to end up returning to work. Maybe you received a sudden inheritance and don't need the Social Security retirement benefits right now.

In these cases, you can request that the Social Security Administration **suspend your payments** – as long as you're under the maximum age of 70 years old. The months that you spend "suspended" will increase your eventual overall payout.

Secret 5:

Late-in-Life Parents May Qualify for Extra Benefits

Thinking about having one of those later-in-life bonus kiddos? They could come with **extra Social Security benefits**!

Any children that are still in high school up to age 19 can fulfill the requirements. If they are over 16, they must still be in high school to qualify.

There are nuances here that may affect your total benefit, like if your child is disabled, or if they are supporting you financially.

Secret 6:

You Can Claim Benefits While Employed

This just in: Benefits aren't just for the retired!

If you decide to work beyond your full retirement age, you can claim benefits while still employed. Social Security benefits are based on age and prior work history, not your current employment status.

Whether you need the money or not, **a part-time job in retirement** can help keep you active and engaged in your community (while also providing a little extra dough).

Be aware that there is **an income limit** based on your age, so working full-time might not be optimal. That limit sits at $21,240 in 2023 for those under the FRA, with every two dollars you earn above that limit subtracting one dollar from your Social Security benefit amount.

If you're at the FRA, the limit is $56,520. Every three dollars above that limit will subtract one dollar from your benefits. Anyone above the FRA is free to work at any income without affecting their benefits.

> Social Security benefits are based on age and prior work history, not your current employment status.

Secret 7:

Social Security Benefits Can Enhance Your Investment Strategy

Investing is great, and understanding your Social Security benefits is great – but what happens when you put them both together?

With the right professional guidance, you can work to plan your Social Security benefits with additional income from investments at various stages of retirement. With these income sources put together, you can extend your retirement years by holding off on or minimizing your Social Security until you've reached the maximum age (which is 70 years old).

In practice, this could look like:

- Retiring at age 62, but instead of collecting Social Security benefits, you live entirely off of investment income until you've reached full retirement age (FRA) at about 67 years old.
- Once you reach age 67, you start receiving Social Security benefits, while reducing the amount of income you use from your investments.
- The higher amount of Social Security you're receiving (due to delaying your claim until age 70), allows you to maintain your standard of living well throughout the rest of your lifetime.

Alternatively, you may wish to have higher income in your early years of retirement to pay for adventures, hobbies and travel – while later in retirement, you think you'll be slowing down. In this case, you may choose to retire at 62 and start claiming your Social Security benefits. Stacking multiple streams of income can be a great strategy for maximizing your earnings after retirement and living a comfortable life full of new memories.

Your "stacking" strategy depends on your specific income, benefits and goals. There could also be **tax implications** to these various stacking methods. To successfully maximize your income streams, it's a good idea to consult with an experienced retirement planning professional who's familiar with your financial situation.

Social Security can be confusing – but with a solid foundation of knowledge and a game plan for the future, you can build a retirement income plan to fit your unique goals and needs.

Connect with a Qualified Retirement Planning Professional

Worried you aren't making the right decisions with your benefits? **Talk to a member of PrairieView Wealth Partners today** and gain confidence in your post-retirement income plan.

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