

Fact check: Americans' understanding of Social Security benefits

How well do Americans understand one of their most important retirement income sources? Our latest research reveals the answers.

Nearly nine in 10 Americans over age 65 receive Social Security benefits,¹ yet many still have misconceptions about how the program works and the role it plays in a retirement plan.

In our 2025 Annual Retirement Study,* 55% of respondents said they don't know much about Social Security or how it will fit into their retirement strategy. Some believe it can fully fund retirement on its own. While it's a significant source of income for many retirees, **Social Security is best viewed as just one component of a comprehensive financial plan.**

FACT CHECK

To shed light on these knowledge gaps, the study asked participants to respond to a series of statements about Social Security. The following results provide a closer look at how Americans perceive the program – and how the facts compare.



The retirement age for receiving full Social Security retirement benefits is 65



Americans can start Social Security retirement benefits as early as age 62, but payments will be reduced by about 25% to 30%. Full retirement age varies between 66 and 67, depending on birth year. Americans can also delay Social Security until age 70, which increases the benefit amount.

Deciding when to start claiming Social Security is a personal decision based on health, possible life expectancy, taxes, and other sources of retirement income.

FACT CHECK



Allianz Center for the Future of Retirement™ conducted an online survey, the 2025 Annual Retirement Study, in January/February 2025 with a nationally representative sample of 1,000 respondents age 25+ in the contiguous U.S. with an annual household income of \$50K+ (single) / \$75K+ (married/partnered) OR investable assets of \$150K+.

¹ Social Security Administration, Fact Sheet: Social Security, 2025 <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

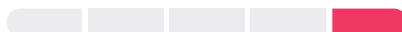
Social Security benefits are untaxed



Social Security benefits may be subject to federal income tax, depending on a formula from the Social Security Administration (SSA). Lower-income individuals may owe no tax on their benefits, while others may have up to 50% or 85% of benefits taxed – meaning at least 15% remains tax-free.

Although some public figures have openly discussed eliminating federal taxes on Social Security benefits, there is currently no legislation in place to enact such a change.

FACT CHECK



FALSE

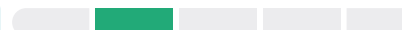
Social Security benefits don't keep up with inflation



Social Security payments are adjusted annually through a cost-of-living adjustment (COLA) to help offset inflation and preserve purchasing power. Over the past decade, COLAs have averaged about 2.6%.¹ However, **these increases don't fully protect retirees from inflation**, as a growing share of benefits is going toward Medicare premiums and taxes² – reducing the net amount received.

A comprehensive retirement strategy should include other measures to help maintain purchasing power over time.

FACT CHECK



MOSTLY TRUE

It is best to wait as long as possible to claim Social Security benefits



Delaying Social Security benefits increases the monthly payment, but deciding when to claim is a highly personal choice that should be tailored to each individual's situation.

Over the past 20 years, the average claiming age has risen³ as fewer Americans start benefits at the earliest possible age of 62. Some use a "break-even point" calculation – comparing the total lifetime payments for claiming earlier versus later – as part of their decision-making. **However, this approach doesn't account for all trade-offs or the uncertainty around life expectancy.** For married couples, delaying both benefits until age 70 may not always be the best strategy. A detailed retirement income plan can help determine the right timing for each individual's unique circumstances.

FACT CHECK



IT'S COMPLICATED

¹ Social Security Administration, Social Security Announces 2.5 Percent Benefit Increase for 2025, October 2024 <https://www.ssa.gov/news/press/releases/2024/#2024-10-10>

² Center for Retirement Research at Boston College, The Impact of Inflation on Social Security Benefits – Center for Retirement Research, 2021

³ Center for Retirement Research at Boston College, How much have Social Security claiming ages increased?, May 2025

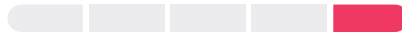
Social Security will be a major source of my retirement income



Social Security replaces about 40% of the average worker's wages when retiring at age 65,¹ meaning the remaining 60% must come from other sources. For above-average earners (more than about \$66,000 annually before retirement), an even greater share of income will need to come from outside Social Security.

If benefits won't fully cover all financial needs in retirement, such income gaps can be alleviated through other reliable income sources, such as a pension or financial products like annuities that offer guaranteed lifetime income.

FACT CHECK



FALSE

An annuity can complement Social Security as part of a retirement income strategy

A resilient retirement plan starts with ensuring essential expenses – such as food, housing, utilities, clothing, and health care – are covered by guaranteed lifetime income. For most retirees, Social Security provides a meaningful foundation, but it often covers only part of these core needs. To help close the gap, additional reliable income sources may be needed – ones that can provide consistency, keep pace with rising costs, and last a lifetime.

Annuities can serve as one such source, offering guaranteed income that can work alongside Social Security to help strengthen overall retirement readiness. By blending different income streams, retirees can create a more predictable and sustainable financial future – one that supports both everyday essentials and the freedom to pursue their goals with confidence.

Learn more with the Allianz Center for the Future of Retirement™

Addressing the complex challenges of retirement planning strategies requires innovative thinking, grounded in data. The Allianz Center for the Future of Retirement™, part of Allianz, produces actionable insights and signature research to help financial professionals prepare for the future.

The Center for the Future of Retirement™ draws on more than 125 years of experience in risk management at Allianz and our history of innovation in annuities, life insurance, and ETFs (offered through Allianz Investment Management LLC). We provide insights to support financial professionals and their clients.

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¹ Social Security Administration, Replace rates for hypothetical retired workers, May 2025

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