

ADVANCED MARKETS

Social Security retirement benefits



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Why a review is important

Most individuals who contribute to Social Security while they are working depend on Social Security to be a foundation for their retirement income. But not everyone takes the time to understand how Social Security works or what the possibilities are to enhance their benefits. The basics of Social Security benefits as outlined in these pages can help, but there are other rules and factors to consider with the help of a financial professional. Individuals should consult with a Social Security Administration office, as agents and registered representatives cannot provide advice about Social Security benefits.

SOCIAL SECURITY

The Social Security program was established to provide the base of financial protection for working people and their families when earnings are lost due to retirement, disability, or death. In addition to worker's benefits, Social Security benefits may be paid to the spouses and children of workers. Benefits are an earned right, and they maintain their value with automatic cost-of-living increases.

HOW TO QUALIFY FOR BENEFITS

Social Security is the largest source of income for the majority of people age 65 and over. To qualify for retirement benefits, you must be fully insured, which means you've earned the required number of Social Security credits. For most workers, that means you need 40 credits or about 10 years of work (at four quarters each year) to qualify for retirement benefits. Through the years, the way you earn credits has changed. In 2025, one credit is recorded for every \$1,810 you earn in a year.

HOW YOUR BENEFIT AMOUNT IS CALCULATED

Nearly all Americans participate in Social Security and Medicare by paying taxes while working and having those taxes matched by their employers. Your retirement benefit is not based on the amount of tax you paid in but determined by your average indexed monthly earnings (AIME). This number is based on your lifetime earnings history; these earnings are "indexed" to account for average wage changes since the year they were received.

If you were born after 1929, your AIME is based on your highest 35 years of indexed earnings. (If you have not worked a total of 35 years, some of your highest earnings years could be zero.) Using your AIME, Social Security calculates your primary insurance amount (PIA).

Your actual Social Security benefit can be different from your PIA. If you take benefits prior to your full retirement age, your benefit will be reduced. If you take benefits after you reach your full retirement age, your benefit will be greater.

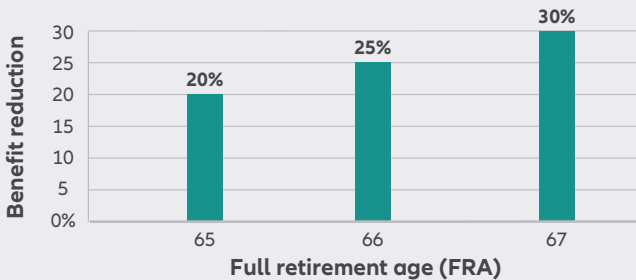
BENEFITS FOR A NONWORKING INDIVIDUAL

If you have never worked, or have not worked enough to be eligible for your own Social Security retirement benefits, you may be eligible for spousal or survivor benefits based on your spouse's or ex-spouse's earnings history.

WHEN ELIGIBILITY BEGINS

The age you retire will affect your Social Security benefit. Full retirement age (FRA) is the age at which a person may first become entitled to full or unreduced retirement benefits. For those born in 1943 through 1954, FRA will be age 66. For those born after 1954, FRA will be greater than age 66. You are eligible to collect Social Security as early as age 62, although your benefit will be reduced based on your year of birth.

Early retirement (commence benefit at age 62)



Social Security Administration, Retirement Planner: Benefits By Year Of Birth.

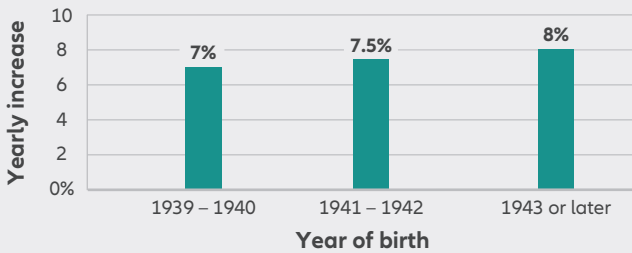
WHEN TO START BENEFITS

It is important to consider when to start benefits, since the decision will impact how much you collect from Social Security during your lifetime. Depending on your health and life expectancy (which is often impacted by your lifestyle and genetics), you might opt to delay benefits. Obviously, if you are in poor health, starting at an earlier age may make sense.

COLLECTING BENEFITS AFTER REACHING FULL RETIREMENT AGE (FRA)

If you choose to collect benefits after you've reached your FRA, you will earn delayed retirement credits (DRC) for every month you defer up to age 70. Your increase in benefits will be 8% annually (2/3 of 1% monthly) based on your year of birth. A cost-of-living adjustment (COLA) of 2.5% will also be applied to your benefit amount in 2025.

Delayed retirement (commencement beyond FRA)



Note: If you were born on January 1, you should refer to the rate of increase for the previous year in Social Security Administration, Retirement Planner: Delayed Retirement Credits.

TAXATION OF SOCIAL SECURITY RETIREMENT BENEFITS

Social Security retirement benefits are taxed based on your combined income. Your combined income is defined as the sum of the adjusted gross income, plus nontaxable interest, plus one-half of Social Security benefits. Depending on what your combined income is, either 0%, up to 50%, or up to 85% of your benefits received could be subject to federal income taxes.

How benefits are taxed

Single or head of household

Up to 50% taxable with \$25,000 combined income

Up to 85% taxable with \$34,000 combined income

Married, filing jointly

Up to 50% taxable with \$32,000 combined income

Up to 85% taxable with \$44,000 combined income

Social Security Administration, Benefits Planner: Income Taxes and Your Social Security Benefits.

Note: These percentages are the amount of Social Security benefit included in income, not the tax rate on the Social Security benefit. The instructions for IRS Form 1040 provides a Social Security Benefits Worksheet that can be used to determine the actual amount of taxable Social Security benefits.

YOU CAN CONTINUE TO WORK, BUT YOUR BENEFITS MAY BE REDUCED AS A RESULT.

If you work and collect Social Security benefits prior to your full retirement age, your benefits may be reduced based on your earnings. Your spouse's earnings are not included in the earnings test. Any Social Security income given up in early retirement (due to working) will result in a positive adjustment to your monthly benefit when you reach your full retirement age.

Impact of retirement earnings

Age in 2025	Impact of earnings on benefit
Between age 62 and your full retirement age (FRA)	Your benefit is reduced by \$1 for every \$2 you earn above \$23,400/year.
In the year you obtain your FRA up to the month of your birthday	Your benefit is reduced by \$1 for every \$3 you earn above \$62,160/year.
FRA and older	No limit on earnings

Social Security Administration, Social Security Fact Sheet, 2025.

Social Security statements are available by opening a *my* Social Security account. For workers age 60 and older who do not have a *my* Social Security account, statements are mailed three months prior to your birthday.

Statements were recently redesigned to include a bar graph displaying your personalized retirement benefit estimates at nine different ages, depending on when you want benefits to start. It also includes your earnings history, and information on how to report an error if you find one. Visit <https://www.ssa.gov/myaccount/> to set up your online account.

Now that you've reviewed some basics of Social Security benefits, here are other factors to consider with the help of a financial professional, your tax advisor, and the Social Security Administration office.

- Qualification for retirement benefits
- How to figure your retirement benefit amount
- When to begin retirement benefits
- Longevity, health, and other factors affecting start dates
- Federal and state income taxes on benefits
- Impact of inflation on benefits
- Special rules for the self-employed
- Delayed retirement credits
- Working while receiving benefits and law changes
- Benefit option strategies (including any deadline for using a particular strategy)
- Family benefit options
- Disability benefits
- Medicare benefits
- And more

Social Security benefits alone will likely be insufficient for you to retire comfortably, so making the most of the available benefits can be an important part of preparing for your financial future.

→ **LEARN MORE** about your Social Security retirement benefits today.

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