

# Maximizing Social Security Benefits

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In 1935, Congress passed the Social Security Act and President Franklin Delano Roosevelt signed it into law. Since that time, Social Security retirement benefits have been a valuable source of income during retirement years for most Americans. A 5.9% cost-of-living adjustment to Social Security benefits became effective at the end of December 2021. With this 5.9% increase in benefits, the estimated average benefit of retired workers for 2022 is \$1,657 per month. Finding an investment that would pay \$1,657 per month for the rest of your life would cost you hundreds of thousands of dollars. The cost-of-living adjustment for 2023 will be released by the Social Security Administration in October. However, early estimates of the cost-of-living adjustment for 2023 predict an 8 to 9% increase in Social Security benefits.

In order to qualify for Social Security benefits (if you were born after 1928) you need to have earned 40 work credits, which is 10 years of work. The amount of monthly retirement benefit you receive depends upon how much you earned during your working years. The Social Security Administration adjusts your earnings to account for changes in average earnings during your working years. Then, it calculates your adjusted monthly earnings during your 35 highest earning years to determine the amount of monthly payment you will receive at your full retirement age.

Full retirement age is the age at which you can receive your full monthly payment of retirement benefits. Full retirement age varies depending upon your date of birth. For persons born before 1943 the full retirement age is 65 years. If you were born between the years of 1943 and 1954, your full retirement age is 66 years. For persons born after 1954, the full retirement age increases by 2 months in successive years. Therefore, for persons born in 1955 the full retirement age is age 66 years and 2 months. For persons born in 1960 and thereafter, the full retirement age is presently 67.

Regardless of your full retirement age, you may opt to start receiving monthly retirement benefits at age 62 years. However, if you start receiving benefits before your full retirement age you will incur a permanent reduction in the amount of your monthly benefit. If you start to receive benefits at age 62 you will have up to a 30% permanent reduction of your benefit amount. For each year you delay receiving your benefits, your reduction amount will be lessened until full retirement age when you will receive your full benefit amount.

Alternatively, if you delay the receipt of benefits until after your full retirement age you will receive an increase in benefits for two reasons. First, you may have additional earnings. Higher lifetime earnings will result in higher lifetime benefits upon retirement. Second, there is an automatic increase in your benefit amount for each year you delay retirement beyond your full retirement age up to age 70 years. For those born after 1942 the annual increase in benefits for delayed retirement is 8% per year. Therefore, if you were born in 1943 or thereafter, you will receive at least a 32% increase in your benefits

if you wait until age 70 to retire. If you are married, delaying the start of your retirement benefits additionally results in higher income for your spouse if you die first.

If you are married, Social Security will pay benefits on a worker's own account first. However, your spouse can be paid an additional benefit on the worker's account which can total up to 50% of the retired worker's full benefit amount. Historically, coordinating your benefits with your spouses' benefits could result in higher lifetime benefits. In the past, one option was to claim benefits on your spouse's work record and then at age 70 switch and file on your own record. This method allowed you to receive payments on your spouse's record before age 70 but also to receive your higher monthly benefit at age 70 based upon the effect of delayed retirement credits on your record.

Another option to maximize benefits was to file for benefits upon reaching full retirement age but to request that the benefits be suspended. Such filing allowed your spouse to claim the spousal benefit of up to 50% of your benefit amount. The suspension of your benefit then allowed you to accrue the delayed retirement credits on your record so that at age 70 when you claimed your payments, your benefit would have increased by at least 8% per year. These filing techniques resulted in both receiving benefits while also receiving a bonus for delaying other benefits.

To eliminate these filing bonuses, the Bipartisan Budget Act of 2015 changed the law regarding filing for spousal benefits in two ways. First, the deemed filing rule requires that if you file for benefits, you are deemed to have filed on your own record and as a spouse. The second change by the 2015 law relates to the voluntary suspension rule. Current law permits you to file for benefits and suspend payment on your record. However, filing a suspension also suspends spousal payments.

There are exceptions to the deemed filing and voluntary suspension rules. For example, if you apply for survivor benefits or you are disabled, you may receive spousal benefits and later apply for retirement benefits based upon your own record. Additionally, if you are a divorced spouse, you can continue to receive a divorced spousal benefit even if your ex-spouse files for benefits and voluntarily suspends benefits.

If you plan to continue to work after you claim Social Security benefits, it is important to note that working can affect the amount of your benefits. If you claim benefits before your full retirement age and continue to work, Social Security will withhold \$1 for every \$2 you earn in excess of \$19,560 in 2022. If you wait and claim benefits at your full retirement age or thereafter, there is no reduction in your benefit amount regardless of how much you earn.

The best ways to maximize your Social Security benefit are to delay taking benefits until full retirement age and if you are married, to coordinate your benefits with your spouse's benefits. To learn more about Social Security retirement planning go to [www.socialsecurity.gov](http://www.socialsecurity.gov). At this website you can review your Social Security earnings statement as well as obtain personalized retirement benefit estimates to assist you with planning for your retirement.