

# Understanding Social Security

## Factors to consider when claiming benefits

To be eligible for benefits, individuals must have earned 40 calendar quarters of wages that were subject to Social Security tax. The amount of the benefits you would receive at full retirement age (FRA) is based on the average of the 35 highest years of earnings.

### What is full retirement age (FRA)?

| Year Born     | FRA                   |
|---------------|-----------------------|
| 1943–1954     | <b>66</b>             |
| 1955          | <b>66 + 2 months</b>  |
| 1956          | <b>66 + 4 months</b>  |
| 1957          | <b>66 + 6 months</b>  |
| 1958          | <b>66 + 8 months</b>  |
| 1959          | <b>66 + 10 months</b> |
| 1960 or later | <b>67</b>             |

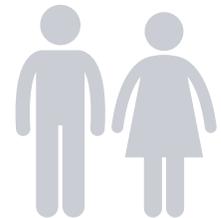
Individuals also have the option of taking Social Security benefits before full retirement age at a reduced monthly amount. For example, if you were expecting \$2,000 in monthly benefits at FRA, you would receive only 75% of your benefits if you chose to take Social Security at age 62. By waiting until age 70, you could receive \$2,640, or 132% of your benefits.\*

\* More information on these hypothetical figures follows on page 2.

### Total Retirement Income



**Social Security accounts for more than 50% of retirement income for many Americans.<sup>1</sup>**



**Maximum monthly Social Security benefit: \$4,559 for workers retiring at FRA in 2023.<sup>2</sup>**

## When Should You Take Social Security?

What seems like a simple question may not have a simple answer. Taking benefits early may result in a substantial reduction in total Social Security benefits over the years.

### Consider these factors

#### Do you need Social Security to fill an income gap?

Keep in mind that Social Security benefits are reduced permanently when you claim them prior to your full retirement age, which could decrease your overall lifetime Social Security benefit amount by up to 24%.

#### What's your life expectancy and break-even age?

Health status, longevity, and retirement lifestyle are three variables that can play a role in your decision on when to claim your Social Security benefits. Estimate your own personal "break-even" age based on these types of variables, which will differ from person to person.

#### Will you work during retirement?

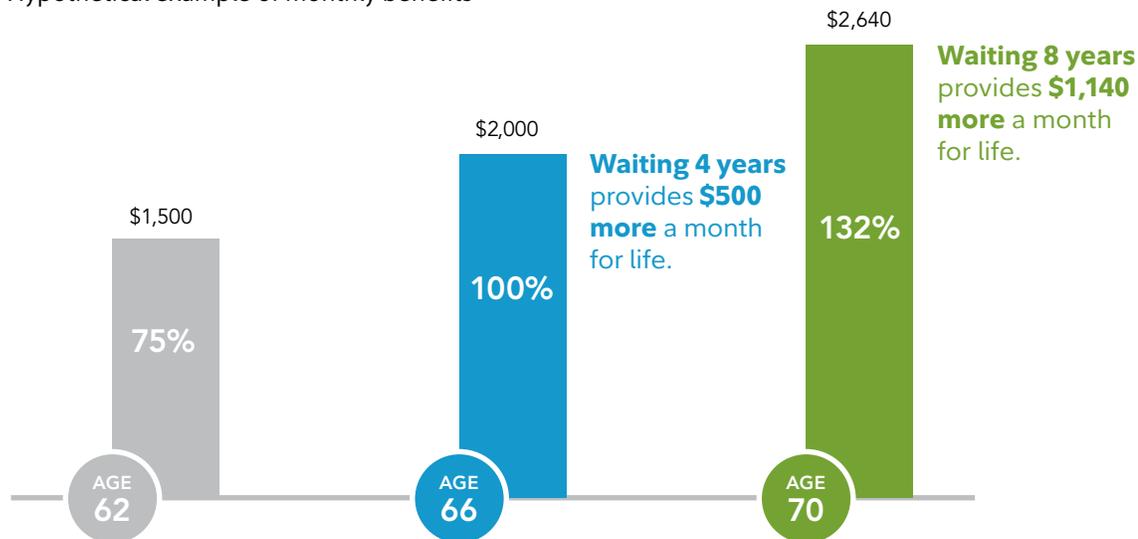
Working individuals who take benefits prior to FRA may incur an earnings penalty whereby benefits are withheld when earnings exceed a specific amount (\$21,240 in 2023).

#### Are you planning with a spouse?

For married couples who take early benefits, benefits are reduced for one of the spouses.

### CAN YOU AFFORD TO WAIT?

Hypothetical example of monthly benefits



This hypothetical example assumes that the person is not working in retirement. Sample benefit amounts are not exact due to rounding. They do not reflect annual cost-of-living adjustments or taxes. Had taxes been taken into account, the amounts would be lower. Benefit at full retirement age (age 66) is assumed to be \$2,000 per month.

## Three Opportunities to Maximize Benefits

There may be opportunities for clients to boost their Social Security benefits.

**1 Strategies for couples**  
Spouses should evaluate options to determine when to file for benefits

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**2 Survivor benefits**  
Works best if one spouse is expected to outlive another

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**3 Former spousal benefits**  
Ex-spouses may be eligible for a portion of benefits

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### Do You Have Other Beneficiaries?

**A child may be eligible to collect Social Security benefits. Here are some basic guidelines:**

Unmarried children under age 18 (19 if a full-time student or still in high school) whose parent has filed for retirement or disability benefits or passed away are eligible for 50% of the parent's benefits. Benefits stop after age 18, unless the child becomes disabled anytime before the age of 22.

## Work with Your Financial Representative to Make a Plan

- A shift away from employer pension plans, coupled with rising health care costs, makes retirement income planning more important than ever.
- Income provided through guaranteed sources such as Social Security can help cover expenses and sustain individuals throughout retirement.



**Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.**

<sup>1</sup> Source: Center on Budget and Policy Priorities, Policy Basics: Top Ten Facts about Social Security, March 4, 2022.

<sup>2</sup> Source: Social Security Administration, 2022.

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