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How can I create a smarter strategy for claiming my Social Security benefits?

Make Your Plan
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Key Insights

- Starting your benefits at age 70 increases the monthly payments you receive by at least 76% compared with starting at age 62.
- Getting the greatest possible benefit can mean a better standard of living should you outlive your other resources.
- Married couples may have additional flexibility when it comes to coordinating and maximizing their benefits.

Social Security benefits are a major income source for most retirees. A typical couple in their 60s today may receive $1 million in lifetime cumulative benefits. If you're like most Americans, you aren't an expert on all of the complicated rules of Social Security, and you may need help using all of the rules to your advantage. Provided you have the income, assets, and inclination to be selective about your claiming decisions, knowing the rules can help you create a smart strategy for maximizing your Social Security benefits.

Matters of age: full retirement age, break-even age, and plan-to age

Full retirement age

Social Security assigns you a full retirement age (FRA) based on your birth year. At your FRA, the amount of your monthly benefit is called your primary insurance amount (PIA). Several Social Security rules are tied to the FRA and PIA. However, PIA isn't the maximum you can receive—waiting until age 70 to start collecting increases the benefits based on your own earnings history.

Your FRA affects the amounts you would receive by starting to collect benefits at different ages

(Fig. 1) Full retirement age (FRA), by year of birth

Year of Birth	Full Retirement Age (FRA)	Claim at Age 62: Benefits as a % of PIA[1]	Claim at Age 70: Benefits as a % of PIA[2]	Age 62 Benefits as a % of Age 70 Benefits
1943–1954	66	75.0%	132.0%	56.8%
1955	66 and 2 months	74.2	130.7	56.8
1956	66 and 4 months	73.3	129.3	56.7
1957	66 and 6 months	72.5	128.0	56.6
1958	66 and 7 months	71.7	126.7	56.6
1959	66 and 10 months	70.8	125.3	56.5
1960 or later	67	70.0	124.0	56.5

Note: Social Security considers people born on January 1 to have been born in the prior year.
[1] The monthly reduction is 5/9 of 1% for the first 36 months prior to full retirement age, and 5/12 of 1% for every month after the first 36 months.
[2] The monthly delayed retirement credit is 2/3 of 1% per month after full retirement age.

Collecting early. Social Security allows you to start collecting benefits—receiving checks or direct deposits—as early as age 62. If you start collecting benefits at 62 instead of at your FRA, your monthly benefits would permanently decrease by 25%–30% depending on your birth year (see Figure 1).

As an example, let's consider someone who was born in 1960 and their PIA from Social Security is $1,000 at FRA. This person decided to file at 62, rather than waiting for their FRA. They will receive $700 per month instead of $1,000.

Waiting to collect benefits. Social Security also allows you to collect benefits after your FRA and provides you with delayed retirement credits for choosing to wait up to age 70. If you choose to wait until 70 to take your Social Security benefits, your postponed retirement credits will increase your monthly benefit by 24% to 32% (from what it would have been at FRA). Using our same example from above, someone with a PIA of $1,000 would receive $1,240 per month if they waited to file for Social Security until age 70. That's 77% more than the monthly payment they would have received if they'd claimed at age 62.

Break-even age

The break-even age is the age at which one Social Security claiming strategy will ultimately have paid out more in cumulative lifetime benefits[1] than another. Figure 2 shows the break-even age for when the second of the two strategies becomes preferable—that is, it pays out more in Social Security benefits for an individual (with an FRA of 67).

The first line shows that if you live past age 78, then you will receive more in lifetime cumulative benefits if you claim at 66 with a higher monthly benefit rather than at 62 with a lower benefit amount. Upon reaching age 78, the higher monthly benefit you receive by waiting until age 66 will have been enough to make up for the years from 62–65 when you did not receive benefits.

The last line essentially shows that if you are going to live past age 84.5, it is best to wait until age 70 to start benefits.

Waiting to start benefits often makes sense, even without a particularly long life expectancy

(Fig. 2) Selected break-even ages between different claiming strategies

Beginning Dates	Break-Even Ages
62 versus 66	78.0
62 versus 70	80.4
66 versus 70	82.2
69 versus 70	84.5

Plan-to age (life expectancy)

So, how do you use that information? Obviously, we don't know exactly how long we will live. An actuarial table may suggest that, on average, people who have made it to age 62 can expect to live into their mid-80s. You might adjust your estimate based on your health, family history, and other factors. Comparing your estimated longevity with the break-even age can help point you to a smarter claiming strategy.

[1] Cumulative lifetime benefits are calculated using today's dollars. Note that these break-even ages do not reflect any discounting of future benefits for potential real returns of invested Social Security benefits.

In addition to an average or expected lifespan, you should think about a "plan-to" age. That age is a conservative estimate for how long your household assets and income will potentially need to last in the case that you live a *longer-than-average* life. Combined with the break-even age, a thoughtful plan-to age accounts for the risk that you—or your spouse—live much longer than expected. Getting the greatest possible benefit can mean a better standard of living should you outlive your other resources. It can also ensure that your surviving spouse is left with the most Social Security income possible upon your passing.

Matters of marital status and family: planning for singles and married couples

Singles

Break-even age and life expectancy are the key considerations for single planners. Generally, single individuals with longer-than-average life expectancies would increase their expected lifetime benefits by delaying claiming until age 70. Only singles with unusually short life expectancies should claim their benefits at age 62. And again, even if you "expect" to live to a particular age, if you're concerned about running out of money in the case that you live longer, claiming at age 70 can make sense. Any additional real benefits (realized by waiting to claim) could add several years of longevity to your financial portfolio.

Married couples

Married couples must look beyond an individual break-even and plan-to age. Since there are two of you, you must carefully think about how a Social Security claiming strategy will perform given various life expectancies and how that strategy will affect the longer-living spouse. Your filing choices affect spousal benefits (available when you're both living) and survivor benefit options (when one of you has passed away).

Spousal benefits can maximize lifetime cumulative benefits

Spousal benefits are Social Security benefits one spouse may be able to draw based on the other spouse's earning record. And spousal benefits can mean substantially more in joint lifetime cumulative benefits. A spousal benefit can be as much as 50% of the higher-earning worker's FRA benefit—depending on when they claim. Note that if the lower-earning spouse claims any benefits before FRA, the spousal benefit is reduced, but claiming after FRA does not result in any delayed credits. And that person can't get spousal benefits until the higher earner claims.

There are two ways that spousal benefits might be available to you or your spouse. The lower-earning spouse might be able to:

- Apply for a spousal benefit instead of their own (because the spousal benefit is higher).
- Apply for their own benefit then switch to a higher spousal benefit later.

If the lower-earning spouse (Spouse 1) has a PIA benefit *greater* than half the PIA of the higher-earning spouse (Spouse 2), neither partner will be able to receive spousal benefits. This is because a person will always be paid their own benefit if it's higher than the spousal benefit.

On the other hand, if Spouse 1's PIA benefit is *less* than half of Spouse 2's PIA, Spouse 1 will qualify for a spousal benefit, but only once Spouse 2 has claimed their own benefits. In this case, Spouse 1 might claim their own benefit as early as age 62 and then apply for the higher spousal benefit later—once Spouse 2 has collected their own higher, deferred benefit. To maximize combined benefits, it's usually best for Spouse 2 to claim at age 70. However, the claiming decision for

Married couples should strongly consider the plan-to age of the younger (or likely longer-living) spouse when making their claiming decisions.

Spouse 1 is trickier. In this situation, it's especially beneficial to get help with the analysis from a financial professional.

Similar to spousal benefits, you may be able to collect benefits based on your ex-spouse's earnings record, provided you meet certain requirements—such as you are both age 62 or older, you were married for 10 years or more, you have been divorced for at least two years, and you are not remarried. For more information, see [Take Financial Control of Your Life During and After a Divorce.]

Survivor benefits can protect the financial stability of the longer to live

When one spouse passes away, only the larger of the two Social Security benefits will remain. Therefore, with a smart strategy, a couple can maximize the higher earner's (Spouse 2's) benefit and leverage it to financially protect the life of the longest to live—regardless of who that is. Thus, to maximize their joint real lifetime benefits, Spouse 2 should base their claiming decision on a conservative estimate of when the later living spouse could die. There are two key things to remember here. First, the concept of "second to die" is not just about one person's longevity. Second, if there's a big age gap between spouses, that tends to make claiming later even more attractive.

To [get the most out of survivor benefits], the spouse with the higher FRA benefit (Spouse 2) should wait until age 70. That way, when one member of the couple dies, the survivor's benefit will be the higher of the two benefits being paid.

Considering the children

Whether married or single, your children generally cannot inherit Social Security benefits (unless they are minors). But by claiming your benefits later (and locking in a higher income), you could reduce the risk of outliving your assets and placing a financial burden on the children if you live to a relatively old age. Of course, this would involve the risk that your children could inherit a little less money if you delay collecting benefits, rely heavily on your assets, and pass away at a relatively young age.

Weighing risks, you may conclude that longevity protection and reducing the potential financial burden you could place on your kids later in life are more important than the possibility that your kids could inherit less if you pass away earlier than planned. If so, you should delay your Social Security until age 70 and lock in a higher monthly benefit. This higher benefit can help to reduce reliance on your assets or your children in the event of a longer life.

Matters of income and tax: the earnings test, Social Security taxation, and the redo

The earnings test (applicable before FRA)

If you claim Social Security benefits before FRA and continue to work, your benefits may be withheld (effectively postponed) due to the earnings test. In the years before reaching FRA, Social Security benefits are reduced by $1 for every $2 of earned income above $22,320 (in 2024). In the year someone reaches FRA, benefits may be reduced by $1 for every $3 of earned income above $59,520 (in 2024). After reaching FRA, individuals can receive full benefits with no limit on earnings.

It's important to note that benefits reduced due to the earnings test are not completely lost. When the worker reaches FRA, their monthly benefit will be adjusted, giving "credits" for the months held back.[2] Nevertheless, if there's a good chance you will continue working and earning enough

[2] The Social Security Administration withholds full months of benefits, starting in January, based on estimated earnings. Then it makes adjustments later if necessary. This enables it to credit the right number of months at FRA.

A portion of Social Security benefits may be taxable, even for people with relatively modest income

(Fig. 3) Social Security taxation thresholds[1] (in terms of provisional income)

	First Threshold	Second Threshold
	Above this level, up to 50 cents of every additional dollar adds to the taxable portion of benefits	Above this level, up to 85 cents of every additional dollar adds to the taxable portion of benefits
Married Filers	$32,000	$44,000
Individual Filers	$25,000	$34,000

[1] Unlike Social Security benefits and many aspects of the tax code, these thresholds are not adjusted every year for inflation. That means that over time, unless the law is changed, more and more benefits for relatively modest-income people will be subject to tax.

income that your Social Security benefits would be substantially reduced, you may as well delay starting benefits—at least until you stop working or reach FRA.

To be clear, this does not mean you should choose not to work between 62 and 67! If you've already collected benefits earlier than FRA and are offered a financially and personally fulfilling job opportunity, don't let the earnings test deter you from taking the job before FRA. Though benefits may be withheld, they won't be lost. In addition to being credited for the withheld benefits later, any income you earn will also be factored back into the calculation of your best 35 years at FRA. And, of course, you'll be earning money! That outweighs any Social Security impact.

Taxation of Social Security benefits

The calculation of taxes on Social Security benefits is complicated. It is helpful to understand how it works, so you can avoid paying more taxes than necessary. But in terms of the decision of when to start collecting benefits, you should not let taxes deter you from waiting until age 70.

The taxable portion of benefits depends largely on how much other income you receive. If Social Security is your only source of income, it's likely that your benefits will not be taxed. But if you have other income, such as a pension; pretax withdrawals from a 401(k), individual retirement account (IRA), or other tax-deferred account; or investment income such as interest, dividends, and capital gains, taxes may be owed on up to 85% of your Social Security benefits.

The federal taxable portion of Social Security benefits can be calculated in two steps. First, calculate your provisional or combined income. Social Security considers your combined income the total of most gross income (the sum of wages, taxable interest, realized capital gains, and other income) plus nontaxable interest, plus one-half of your Social Security annual benefits.

Second, apply a formula to determine the amount of Social Security benefits that is taxable. For each dollar of provisional income between the first and second thresholds (see Figure 3), 50 cents of Social Security benefits will be taxed, up to 50% of benefits. For each dollar of provisional income above the second threshold, 85 cents of benefits will be taxed until the maximum portion of 85% of Social Security benefits is taxed.[3]

This unusual calculation means that, in some cases, every extra dollar of other income received increases the percentage of Social Security benefits subject to tax, causing 40%–50% of that income to go to taxes. It may seem counterintuitive, but waiting to collect Social Security benefits can actually help reduce that negative tax effect. That's because you are shifting the composition of future income away from 100% taxable income to a source that will be *no more than* 85% taxable.

By thoughtfully managing distributions from other retirement accounts (including tax-deferred, Roth, and taxable) in coordination with your Social Security benefits, your money may last years longer.

The redo: But I already filed. Can I change my mind?

If it has been less than 12 months since you filed, you can withdraw your application. But you must repay all benefits received so far, including any spousal benefits paid on your record. Then you can reapply at a future date, and benefits will be recalculated based on your attained age, as if you had never filed before. If your current cash flow is adequate without Social Security benefits, it may make sense to withdraw your application.

Comparing choices requires thoughtful analysis

Social Security rules are complex, and the planning required to take full advantage of those rules to maximize lifetime benefits is equally so. Consulting with a financial professional and/or leveraging an online tool can help you better understand the trade-offs, given your situation and choices. For many people, that evaluation can point toward the advantages of waiting as long as possible (up to age 70) to start collecting benefits.

[3] For example, a married couple with $72,000 in Social Security benefits and $70,000 of pretax IRA distributions would have provisional income of $106,000 ($72,000 x 50% + $70,000). 50% of combined income between $32,000 and $44,000 is $6,000. That gets added to 85% of combined income over $44,000 (85% x ($106,000 - $44,000) = $52,700). The taxable portion equals $6,000 plus $52,700, for a total of $58,700 (since that is less than 85% of $72,000).

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