



FAQ: Social Security basics



I've been in and out of the workforce. Will I still be eligible for Social Security?

For most people, eligibility simply means earning enough credits. You can earn up to four credits per year and you need 40 credits to qualify. In 2023, you earn one credit for each \$1,640 of earnings. Once you become eligible, the Social Security Administration (SSA) will calculate your retirement benefit using a complex formula that factors in your 35 highest-earning years. If you haven't earned enough credits, you may still be eligible to receive benefits based on the earnings history of your spouse or ex-spouse.

Everybody is covered by Social Security, right?

Almost everybody. About 95 percent of all workers are eligible for Social Security benefits. However, railroad employees, government employees and employees of some public school systems should check to see if they are eligible.

I know I'm eligible for Social Security. How do I find out what my benefit will be?

Creating a "my Social Security" account on the SSA website will let you review your official earnings history. (If you discover a mistake, you have just over three years to make a correction.) You can also use your earnings history to generate an estimate of your retirement benefit amount at your full retirement age (between 66 and 67, depending on your birth year). Of course, this number is only an estimate, since future earnings will affect your benefit amount, as will your age when you file for benefits.

I wanted to start getting Social Security checks as soon as possible, so I filed at age 62. Now I've realized that if I had waited to file, I could have locked in a larger benefit amount. Is it possible to change my mind now?

Choosing when to file for benefits is an important decision – more important than many people realize. As you discovered, filing early results in a benefit that is up to 30 percent less than if you had waited until your full retirement age. Depending on your particular situation, however, you may still be able to increase your benefit amount.

- If you filed for benefits less than 12 months ago, you have one opportunity to cancel or withdraw your filing application, repay all benefits in one lump sum and then reapply later.
- If you filed early and have now reached your full retirement age, you can suspend your benefits. For every year up to age 70 that you don't receive benefits, the benefit you now receive will increase by 8 percent. Your benefits will restart automatically at age 70 if you haven't already reclaimed them.

Exercising either of these options will affect anyone else who is receiving benefits based on your earnings history and may also change how you pay Medicare premiums.

I just reached my full retirement age. Do I have to file for Social Security benefits now?

No. If you file for benefits at your full retirement age, you will receive your full benefit amount (also called the primary insurance amount or PIA). However, if you want to wait, you can secure a higher benefit by filing later. For each year you wait past your full retirement age, your benefit will increase by 8 percent. The benefit stops increasing at age 70, so there is no incentive to delay past that point.

All increases you earn by waiting are permanent. This higher benefit may be especially helpful if you anticipate a long retirement. If you're married, it can also benefit your spouse. If your spouse's benefit is lower than yours and you pass away, your spouse can begin taking your increased amount as a survivor benefit.

I retired early and have been taking Social Security benefits for two years. I was just offered a consulting job that looks like a great opportunity. If I take the job, will my income affect my benefits?

Yes, your benefits will be affected by your income in a few ways.

First, remember that your benefit is based on your 35 highest-earning years. If your new earnings will be higher than your previous earnings, this will permanently increase your benefit amount.

Second, depending on how much you earn, your income may temporarily reduce your benefit amount.

- When you are under full retirement age for the entire year, for every \$2 earned over the annual limit, your benefits will be reduced by \$1.
- If you will reach full retirement age at some point during the year, for every \$3 earned over a higher annual limit, benefits will be reduced by \$1. This reduction only applies to income earned up to the month before your birthday, not earnings for the entire year.

Benefits withheld due to earnings are not lost. Once you reach full retirement age, earnings of any amount will no longer reduce benefits, and the SSA will recalculate your benefit to give credit for any amounts previously reduced or withheld due to excess earnings.

Finally, earning higher income makes it more likely that a portion of your benefits will be taxed.

I don't have to pay tax on my Social Security benefits, do I?

You will not owe any tax on your benefits if that is your only source of income. Many people do have additional sources of income, though. In fact, about one-third of Social Security recipients pay income tax on a portion of their benefits.

To find out if you will owe tax on your benefits, add half of your benefit amount to your total income from wages, pension, withdrawals from retirement accounts and investment income (including tax-exempt interest on municipal bonds). If the total is greater than:

- \$32,000 (joint) or \$25,000 (single), up to 50 percent of the benefits are taxable
- \$44,000 (joint) or \$34,000 (single), up to 85 percent of the benefits are taxable

This applies to federal taxes. Keep in mind that your state may also tax Social Security benefits. If you anticipate owing tax on your benefits, you may submit Form W-4V to withhold income tax from your Social Security checks.

I earned enough to qualify for Social Security, but not as much as my husband, so my benefit will be much lower than his. I understand that I can claim a spousal benefit. How does that work?

Your husband must claim his benefits before you can claim a spousal benefit based on his earnings history. At that point, you will receive the higher of your

earned benefit or your spousal benefit, which is up to 50 percent of your husband's full retirement benefit (the amount he would receive if he filed at his full retirement age).

Your age at the time you file affects your spousal benefit amount. To claim the full 50 percent, you must have reached your full retirement age. If you file early, your spousal benefit could drop to as low as 32.5 percent of your husband's benefit. However, if you are caring for a child under 16 or a child who is disabled and receiving Social Security benefits, you can claim your spousal benefit early without any reduction.

I'm nearing retirement. I realize that my estimated Social Security benefit will not be as high as my ex-wife's. She started a successful company and has been earning a high salary for years now. I know there is a spousal benefit for married couples, but is anything available for a divorced spouse?

Yes, and unlike spousal benefits, if your divorce has been final for at least two years, your ex doesn't have to actually file for benefits before you can claim a divorced spouse benefit on their earnings history. You may file for benefits based on your ex-wife's earnings record if you meet these conditions:

- The marriage lasted at least 10 years.
- You are at least 62 when you file.
- You are unmarried. (It doesn't matter if your wife is remarried. It also doesn't matter if you remarried at some point, as long as you are single when you file.)
- Your ex is eligible for benefits and entitled to a higher Social Security benefit than you are.

If you meet all of these criteria, you may receive a benefit up to 50 percent of your ex-wife's full retirement benefit. If your ex-wife dies, you can even claim a survivor benefit. However, if you remarry, you will no longer be able to claim anything on your ex-wife's record.

I plan to claim a spousal benefit on my husband's record. I believe his ex-wife is also planning to claim benefits on his earnings. I've heard there is a family maximum. Will that limit the amount I receive if both of us file on my husband's record?

No. The Social Security family maximum restricts the total benefits that can be paid on a single person's earnings record, but benefits paid to an ex-spouse are not factored into this limit. The maximum amount is determined using a complicated formula, but usually equals between 150 and 180 percent of the worker's full retirement benefit.

Generally, this limit only comes into play if, say, your husband takes his earned benefit, you claim a spousal benefit, and you have one or more children who are also eligible for benefits on your husband's record. For these families, the worker will always receive the full benefit, while other people claiming benefits on the worker's record will have their amounts equally reduced until the total falls under the specified limit.

I will receive a higher Social Security benefit than my husband. If I die first, will his benefit increase? Does he have to do something to make that happen?

If you die first, your husband can receive up to 100 percent of your benefit, assuming your marriage lasted at least nine months or you die an accidental death. Therefore, if you increase your benefit (by waiting until age 70 to file, for example), you will also increase the survivor benefit. Your husband would likely need to apply for the survivor benefit, depending on his situation:

- If he is receiving spousal benefits based on your record, the SSA will automatically adjust his benefit amount after receiving a report of your death.
- If he is receiving benefits on his earnings, he will need to apply for the survivor benefit.

- If he is not receiving benefits yet, he should apply for the survivor benefit right away. This benefit may not be retroactive, so applying promptly is important.
- Discuss important Social Security decisions – particularly when to file for benefits based on your unique situation.
- Develop a strategy for how Social Security fits into your overall retirement picture.
- Ensure peace of mind that comes from knowing your options and being comfortable with your choices.

I'm getting closer to retirement. How do I know if my 401(k), investments and Social Security will be enough?

A financial professional can help you:

- Review your goals and overall retirement needs.
- Assess sources of retirement income, identify potential gaps and examine your choices for filling those gaps.
- Examine your level of guaranteed retirement income and, if appropriate, explore ways to create or increase guaranteed income streams, including the use of annuities.
- Estimate your Social Security benefit using the calculator on the SSA website.

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