

[< Back to Get Answers](#)

## Examining Social Security misconceptions

People who have yet to retire think Social Security benefits will provide a much larger percentage of their retirement income than retirees say it actually does.

Social Security benefits are a key part of most retirement income plans. While the benefit is one of the few sources of guaranteed income that will increase over the course of retirement, it likely is not enough to provide for all the essential expenses retirees need – at least if we believe current retirees.

People who have yet to retire are more likely to think that Social Security will provide enough money to meet their needs in retirement, according to the 2022 Retirement Risk Readiness Study from Allianz Life. These expectations are in contrast with reality.

While 40% of near-retirees (within 10 years of retirement) and 35% of pre-retirees (10 years or more from retirement) think that most people will get enough money from Social Security to meet their needs in retirement, just 10% of retirees agree.

That presents a significant gap between what people who are still working think and the experience of current retirees, posing a real risk to retirement security. Financial professionals often inform people preparing for retirement that maximizing Social Security benefits is critically important to a successful retirement plan. Keep in mind, financial professionals can offer information regarding Social Security benefits, but generally cannot offer individualized advice.

Social Security should be one of several forms of guaranteed income during retirement. When planning to leave the workforce, you should compare your expected essential expenses against your Social Security payments and any pension income or income annuities you might have. The difference between what guaranteed income you will receive and essential expenses is your income gap.

Writing down a detailed retirement income plan will help address any income gaps. That written plan will help create a strategy that may help provide additional financial stability, especially if Social Security benefits don't cover as much as you thought.

The Social Security Administration calls the benefit amount you are entitled to at your full retirement age your Primary Insurance Amount. Full retirement age for Social Security benefits is 66 for people who were born between 1943 and 1954 and then increases gradually (two months every birth year) from 1955 on until it reaches age 67 for people born in 1960 and after. If you wait beyond your full retirement age, you get delayed retirement credit equivalent to 8% simple interest for every 12 months you delay up to age 70.

Determining when to take your benefit is a decision an individual or, if married, a couple should not make alone. This important decision should be made with the help of a qualified tax advisor or attorney who can help map out an entire retirement income strategy.

Planning to work beyond full retirement age can be a great way to extend your retirement savings, but factors like health or disability can make that difficult. Not surprisingly, people who have yet to retire also think they will work longer (and potentially increase their Social Security benefit) than many retirees say they actually did.

The majority of people who plan to retire within the next 10 years (59%) said that they plan to work past the current Social Security retirement age. Yet, just 11% of retirees said they actually did so.



## When do Americans think they will start taking Social Security benefits?

The most common age to start taking benefits among those who currently receive Social Security is 62, according to the Social Security Administration. While 66 is the next most popular age, it is a distant second.

## Taking benefits starting at full retirement age or deferring until after full retirement

- 57% of near-retirees plan to
- 46% of current retirees said they actually did so

## Taking benefits before full retirement age

- 33% of near-retirees plan to
- 49% of current retirees said they claimed early

Social Security plays an important role in your retirement. A well-thought-out decision about when to claim benefits should be made with a tax advisor or attorney, with the guidance of a financial professional. Gather all the information you can for your retirement strategy before deciding whether to claim benefits before, at, or after your full retirement age. If you are married, this should be a decision made as a couple along with a financial advisor.

Social Security is one of the few guaranteed income sources with the potential to increase over time. A financial professional can help develop a holistic retirement strategy that includes a plan for Social Security benefits. They may also suggest other lifetime guaranteed income solutions, such as an annuity with the potential for increasing income (available through either a built-in or optional income benefit rider for an additional cost) to help supplement Social Security payments and help pay those essential expenses in retirement.

\* The 2022 Retirement Risk Readiness Study was conducted by online survey in February 2022 with a nationally representative sample of 1,000 individuals age 25+ in the contiguous U.S. with an annual household income of \$50k+ (single) / \$75k+ (married/partnered) OR investable assets of \$150k.

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