

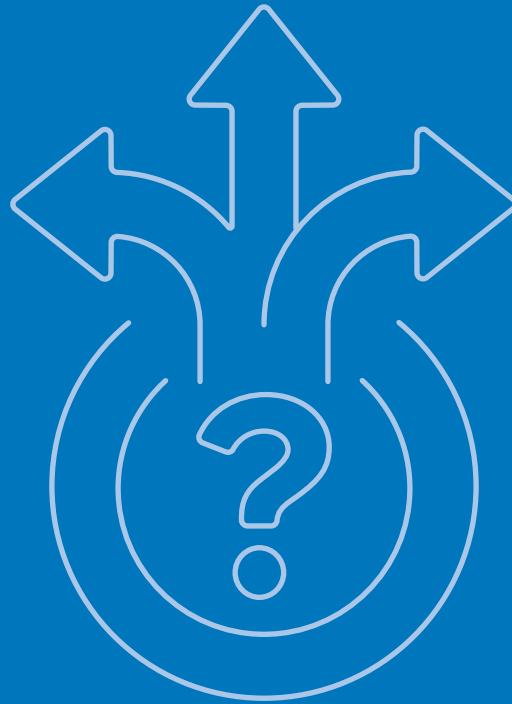
A Complimentary Financial Guide

Optimizing Your Social Security

in Today's World



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Social Security Could be the Most Crucial Component of Your Retirement Strategy

Many Americans rely on Social Security in retirement, counting on it for their monthly income. That's why it's crucial to understand how to construct a tailored Social Security claiming strategy for your unique financial situation and timeline. But even if you don't rely on it, you could still benefit from knowing when the right time to claim Social Security is for *you*. Although you will most likely not be able to maintain your current lifestyle on a Social Security benefit alone, it can make up a significant portion of your income and is guaranteed for as long as you live. As such, Social Security is a crucial part of your retirement plan. However, it's not uncommon for people to claim Social Security at suboptimal times or to run into unexpected, costly complexities concerning how their Social Security benefits work.

The Future of Social Security

The Social Security trust fund is experiencing financial pressures as outflows outpace inflows. If the trend continues, some expect that only a portion of benefits promised and paid for during your working years will be received in your retirement. There are a couple reasons for this: firstly, people's lifespans are generally increasing, leading to people spending longer periods of time receiving Social Security and waiting later to claim so they can receive greater benefits. Secondly, interest rates remained low for decades, meaning that the Social Security fund, which holds Treasury Securities, grew at lower rates.¹



While this might seem to pose a threat to the program, that is not quite the case. As long as people work, Social Security will have a source of funding. And it's very unlikely that Washington will ever scrap the program entirely since so many retired Americans rely on it. However, lawmakers might very well reduce or restructure benefits and/or increase taxes in the future. We could see several changes over the course of presidential terms and political cycles in terms of how the program is funded and how much it pays out to current beneficiaries.

This means that having a plan for maximizing your benefit is essential. Benefits are designed to replace about 40% of income,² but this percentage can be higher or lower depending on your earnings history, income needs, and success in maximizing benefits. There are many ways to claim, and the right strategy depends on the individual.

In this guide, we'll cover what you should know in order to help you optimize your Social Security strategy and inform you of new updates to the program.

1. How Are Social Security Benefits Calculated?

Your Social Security benefit is calculated by the Social Security Administration based on your average indexed monthly earnings, or AIME, in your 35 highest-earning years. If your latest year of earnings happens to be one of your highest 35 years, working can increase your benefit amount. It's important to regularly check your earnings record for accuracy, as your earnings are used to determine both your eligibility and benefit amount. The age at which you start receiving benefits also affects the amount you receive each month, with benefits lasting as long as you live. Taking benefits early reduces the monthly amount while delaying them increases it. Social Security benefits are also adjusted for inflation and can be taxed, with the option to have taxes withheld from your benefit.³





2. What's Your Full Retirement Age?^{4, 5, 6}

Although you can claim Social Security as early as age 62, it's not your FRA. Your FRA is unique based on when you were born. It will fall between the ages of 65 and 67, starting at 65 for those born before 1938, and is set to increase in two-month increments for every subsequent birth year until it is 67 for all new beneficiaries. Use the [Social Security Retirement Age Calculator](#) or the chart below to find your FRA.

Figure 1. Retirement Age

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1945	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

*If you were born on January 1st of any year, you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and full retirement age) as if your birthday was the previous month.)

Claiming benefits before your FRA will result in a permanently smaller benefit. If you want to claim past your Full Retirement Age, your benefit will increase incrementally for each year you defer until age 70.

3. Your Benefit and Inflation⁷

The Cost-of-Living Adjustment (COLA) for 2026 is 2.8% - a slightly greater percentage increase than the previous year.

Figure 2. Annual Cola Increase

Month/Year	Annual COLA Increase
January 2015	1.7%
January 2016	0.0%
January 2017	0.3%
January 2018	2.0%
January 2019	2.8%
January 2020	1.6%
January 2021	1.3%
January 2022	5.9%
January 2023	8.7%
January 2024	3.2%
January 2025	2.5%
January 2026	2.8%

Keep in mind that COLA adjustments for some years have been as low as 0.3% for 2017 and even 0% for 2016. So, it's not a given that COLAs will increase each year or match the pace of inflation perfectly. Just as you should consider the long-term effects of inflation on your Social Security benefit, you should consider its effects on your other sources of retirement income and savings.

NOTE: The Special Minimum Benefit, designed for low-income earners, provides a minimum benefit for those who have worked at least 11 years of \$53.50. For those who have worked at least 30 years, it tops out at \$1,123.70. There is a reduction in benefits for claiming before one's FRA, but there is no additional benefit for waiting past that age when it comes to the Special Minimum Benefit.⁸

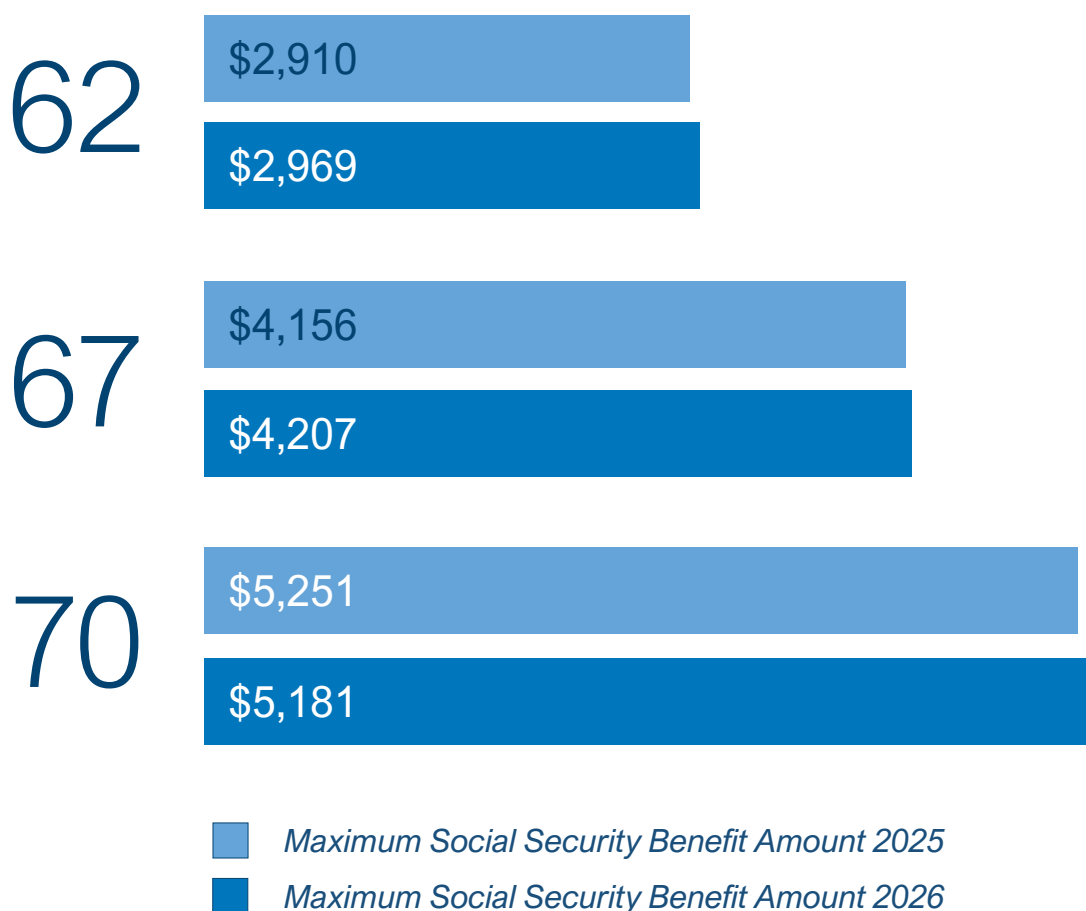


Maximum Social Security Benefits - 2026

To understand your earnings potential from Social Security, it's important to know what you can potentially earn at each age. Even if you don't qualify for a maximum benefit, you can still see how your earnings levels change depending on the age at which you claim. See further details below:

The chart below illustrates the range of maximum benefits that may be available to you in 2026 with the standard COLA if you have delayed claiming until this year versus last year.

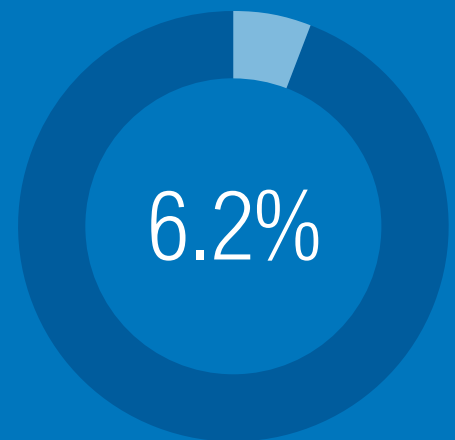
Figure 3. Social Security Benefit Amount⁹



4. Maximum Taxable Earnings Increase to \$184,500

Employees are required to pay a 6.2% Social Security tax (with their employer paying an additional 6.2% on their behalf) on income up to a certain limit. Any earnings above that amount are not subject to the tax. In 2026, this tax rate will remain the same, but the cap will increase from previous years.¹⁰

So, if you make the maximum amount or more, you will only pay 6.2% on earned income up to the stated limit, which goes towards your Social Security benefits. For example, if you made at least that maximum amount for 30 years (according to how Social Security is calculated, which is covered above), you will likely be eligible for the maximum benefit amount at whichever age you claim.



Only pay 6.2% on earned income up to the stated limit.



5. Note This Change

Over time, the Social Security Administration has slowly stopped mailing out most Americans' Social Security benefit statements and instead encourages people to access their statements online.

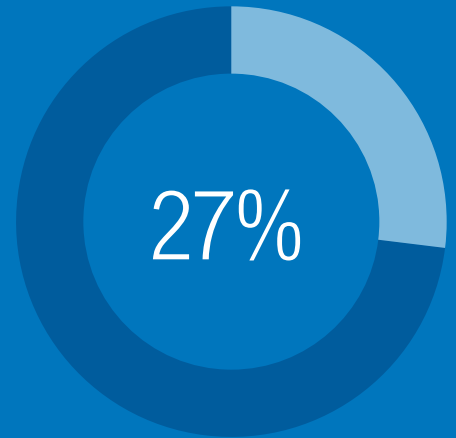
Make Sure Your Work Counts

It's important to check your earnings statement regularly to make sure you are getting credit for the taxes you're paying into the system. To make an online account, either look for a letter with an activation code or go onto the Social Security Administration's website and use a valid email address to create a [My Social Security Account](#). This way, you can check that your earnings history and Social Security taxes have been paid and recorded.

6. Are You Planning to Work in Retirement?

In a recent study, 27% of Americans said they plan to work in retirement due to savings shortages.¹¹ While there are good reasons to work into your retirement years, unexpected health concerns often derail this plan and people often underestimate the likelihood of it happening to them. In addition, earning extra income while receiving Social Security could mean a reduction in monthly benefits.¹²

Social Security beneficiaries under their FRA who earn more than \$24,480 in 2026 will have \$1 in benefits withheld for every \$2 they earn above this limit. This earnings limit jumps to \$65,160 in the months before they reach their FRA, above which \$1 in benefits is withheld for every \$3 they earn. Once recipients reach their Full Retirement Age, there is no income limit on earnings, and withheld earnings are paid back.¹³



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7. Are You Married? Divorced? Widowed? Remarried?

Even if you don't qualify for your own Social Security benefit, you could qualify for a spousal benefit. If you have reached your FRA and have been married for at least one year, you can claim a Social Security spousal benefit worth up to 50% of your spouse's benefit. You will receive less than 50% of your spouse's benefit if you claim spousal benefits before your FRA, but you will not receive more than 50% by waiting past your FRA to claim.

“What if I'm divorced?” you might ask. If you were married for at least 10 consecutive years, have been divorced for at least two years, and are not remarried, you can still claim a spousal benefit worth half of your ex-spouse's benefit after you turn your Full Retirement Age. If your spouse is remarried, it will not affect your spousal benefit.¹⁴

Understanding the Tradeoffs Regarding When to Claim Social Security

Earning Your Maximum Benefit

Some people shoot to earn their maximum benefit by either trying to work at higher wages for longer or waiting until age 70 to claim. If you've earned as much as you can and are waiting until age 70 to claim, you'll receive a larger monthly benefit that can add a much-needed boost to your earnings, especially if you can cover your costs until then.

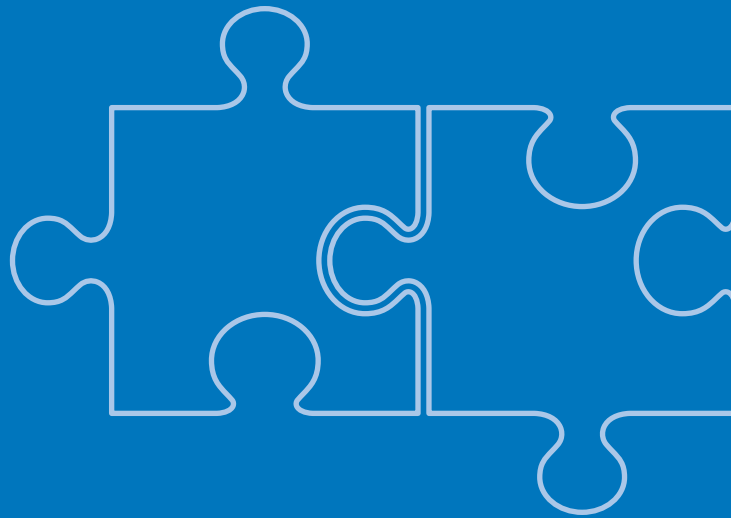


Claiming Early or On Time

While claiming later may earn you more in monthly benefits, you're sacrificing earnings by delaying. You may have a situation where you end up with more total benefits over time by claiming early or on time because you've accumulated more monthly payments. This is especially true if you earned an above-average income, likely living in a higher-cost state or metropolitan area. In addition, claiming early or late is largely about your life expectancy. Many of the proponents of claiming early might say that you never know what could happen in the future, so claiming guaranteed income sooner rather than later could be your most advantageous option.

Deciding when to claim is a decision entirely unique to you. Because the Social Security benefit calculations are based on your unique earnings history, it could make sense to claim at your maximum or minimum age. In addition, you have a unique set of risks, goals, savings, and asset levels outside of Social Security, all of which may influence when and how much to shoot for when claiming Social Security.

Compute the effect of early or delayed retirement by using the [Early or Late Retirement Calculator](#).



Strategizing Social Security with Other Sources

Social Security doesn't exist in a vacuum. Pensions, a defined-benefit retirement tool that specifies a certain amount of monthly income in retirement, used to be a common supplementary retirement income source for people, but those have become rarer. In addition, retirement accounts like 401(k)s and Individual Retirement Accounts (IRAs) have gained in popularity, but work much differently. So, where do those other income sources come from?

IRAs and 401(k)s^{15, 16}

IRAs and 401(k) accounts, called defined contribution accounts, have risen in popularity and have taken the spot of pensions in many people's retirement strategies. While they offer useful tax-benefits when used properly for retirement, they don't guarantee a certain amount of income—it's up to you to save and have good timing with your investments to grow your nest egg. After that, it's up to you to execute a withdrawal strategy to

make sure you can cover your monthly expenses while not depleting your funds... something that may happen if you must take withdrawals during market downturns. As you can see, much is left up to chance by relying on these tools for income and they don't functionally replace defined benefit tools.

Annuities¹⁷

Annuities are insurance-backed financial products aimed at principal protection or steady income, and some types of annuities can have further specifications that provide income for life, protect against inflation, provide market exposure with downside protective measures, initiate payouts in case of long-term care needs and more. Because these tools are structured to pay income and define a monthly benefit amount, they can be a useful tool to provide steady income.

What's more, there are ways issuers can structure contracts to have similarities to the way Social Security pays out benefits. That means that once you pay into it, you can claim your monthly lifetime income at different ages, where the longer you wait to claim, the greater your benefit up to a certain point. This can help you supplement your Social Security income without having to learn or understand a complicated new product, greatly simplifying your retirement strategies and offering the possibility to simulate a second Social Security income that you claim at the same or different time as your real Social Security. This is just one example of how annuities could fit into and fill the gaps of your income situation.

A Note on Recent Legislation: The One Big Beautiful Bill (OBBBA)^{18, 19}

The OBBBA directly impacts individual retirees by offering a temporary, enhanced tax deduction for seniors aged 65 and older, which reduces their taxable income. This \$6,000 deduction for single filers and \$12,000 for married couples (phasing out at higher income levels) is intended to reduce or eliminate the federal income tax burden on Social Security benefits for a large majority of retirees. As such, many seniors may keep more of their monthly Social Security benefit, leading to a small but measurable increase in their effective disposable income from 2025 through 2028, before the deduction is set to expire.

However, this tax relief for retirees could potentially have a negative effect on retirees' future. A significant source of revenue for the Social Security Trust Fund comes from the taxation of Social Security benefits. By reducing the number of retirees who pay federal income tax on their benefits, the OBBBA reduces the tax revenue flowing into the Trust Fund. Reduced revenue for a fund that is already on a path to depletion in the near future could accelerate the insolvency, leading retirees to face diminished benefits sooner than expected if there is still no action to increase revenue and reverse the trend of insolvency. The Social Security Administration's Office of the Chief Actuary has estimated that this decrease in revenue accelerates the projected depletion date of the combined Old-Age and Survivors Insurance and Disability Insurance Trust Fund by several months. This worsening of the program's long-term financial stability contributes to the ongoing national debate about how to ensure Social Security's full solvency so that retirees and pre-retirees like you receive what's promised when paying into the fund.



Let's Review Your Unique Options and Strategies

Income is the name of the game in retirement, and Social Security may be a pillar to your retirement income strategy, but getting it right in a way that works for your needs takes expertise. Your optimal moment to claim may pass you by, or you may claim too early. There are countless factors that go into the “when” and “how” of claiming your Social Security, and all of those factors relate back to the knowledge of the tools you have to work with and an understanding of your financial situation. We invite you to come into our offices to go over your options and see if we can construct a strategy that works for you.

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