

Key Wealth Institute

Making Your Social Security Decisions



When to start taking Social Security benefits is one of the most critical financial decisions most Americans will make as they approach retirement.

Taking your money too late or too early could cost thousands, even hundreds of thousands, of dollars. A high-earner who delays payments until reaching the maximum age of 70 could receive as much as \$5,108 a month in 2025. However, had that same worker begun taking distributions eight years earlier at the minimum-eligibility age of 62, the monthly payout would have been less than half that. And neither of those amounts would change for the rest of their lives, save for annual cost-of-living adjustments (COLA).

That's a big difference going forward, as much as \$25,000 more a year. Yet, what if that worker who decided to delay the benefits had died at age 69? They and their families would have left thousands of dollars on the table that they could have been collecting.

Calculating the right choice for you is complicated. You should weigh several factors when making your decision, including life expectancy and health concerns, other sources of income for you and your spouse, whether you plan to continue working part-time in retirement, and whether you expect to need a hedge against inflation or a downturn in the market.

Like snowflakes, no two cases are the same, but let's examine the numbers and choices of a real-life couple whose names have been changed.

Harry and Sally both worked for more than 35 years, and both frequently earned close to or above Social Security's taxable maximum income level. The government limits how much income can be taxed for Social Security. The amount changes each year based on general wage levels. For 2025, the taxable maximum is \$176,100.

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Sally, who was born in 1953, was unexpectedly laid off at age 64, two years before she reached her full retirement age (FRA) of 66. With only two small pensions from previous employers to replace the lost income, Sally began taking her Social Security monthly payments of \$2,348 immediately.

You can begin to receive Social Security benefits at age 62. But every year you delay payments, up to age 70, increases the monthly amount you will receive by about 8%. So had Sally been able to retire at 66 as she had planned, those payments would have increased by about 16% plus the COLA. Now, at age 70, she receives \$2,950 a month — over \$1,000 less than she would be getting if she had been able to delay the payments until 2023.

She also supplemented her income then by working part-time for two years, though she was careful not to exceed the earnings limit at the time (it is \$23,400 in 2025). If you're under full retirement age, \$1 in benefits will be deducted for every \$2 in earnings you have above the annual limit. In the year you reach full retirement age, \$1 in benefits will be deducted for every \$3 you earn over the annual limit (\$62,160 in 2025) until the month you reach full retirement age.

Once you reach full retirement age, you can earn as much income as you want without reducing your Social Security retirement benefit.

Harry, who was born in 1952, continued to work past his full retirement age after Sally was laid off. To maintain their current standard of living, though, he started taking his Social Security payments of \$2,706 as soon as he turned 66. That decision allowed him to avoid the earning tax penalty but also meant he would receive a lesser benefit than if he had waited until he turned 70. With both Social Security payments supplementing Harry's salary, the family's income returned to close to where it had been until Harry retired 18 months later. With the COLA increases, his monthly payments are now \$3,328. Had he waited until age 70 to file, he would be receiving more than \$4,200 per month.

Did they make the right moves?

If Harry and Sally each live to be 80 and both had delayed payments until age 70, their combined Social Security benefits would have been more than \$1 million at that point. That's roughly the same amount they will have received by starting their payments early if they both do live to 80. Beyond age 80, though, at a time when their living expenses could be increasing because of healthcare needs, they will be receiving at least \$2,000 less per month than if they had delayed the payments to the maximum age. (Delaying payments beyond age 70 does not increase the benefits.)

Still, receiving early Social Security retirement benefits makes sense for many people. Even though you'll receive less per month than if you wait until full retirement age to begin receiving benefits, you'll receive benefits several years earlier. For Harry and Sally, taking those early payments allowed them to maintain their style of living without tapping into their 401(k) accounts at a time when they were still in their prime years.

Here are some other questions you might have before applying for Social Security:

How do I qualify for retirement benefits? When you work and pay Social Security taxes (FICA on some pay stubs), you earn Social Security credits. You can earn up to four credits each year. You generally need 40 credits (10 years of work) to be eligible for retirement benefits. To qualify for the maximum benefits, which will be around \$5,108 a month in 2025, you must have worked at least 35 years earning the taxable maximum each year and delay benefits until age 70.

When should I set up a Social Security account?

Harry and Sally each set up accounts with the Social Security Administration (SSA) almost two years before they started to plan seriously for retirement, so they could actively monitor and verify their Social Security benefits while still employed. Correct reporting of earnings helps ensure that Social Security benefits accurately reflect your contributions, which affect the amount you receive. Harry and Sally used the SSA's online platform to create their accounts, enabling them to continually track their reported earnings in real time, estimate future benefits, address any discrepancies promptly, and order a Social Security card if needed. They each went to the SSA website at <https://www.ssa.gov/>, clicked on the My Social Security tab on the

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homepage, followed the prompts to set up an account, and then added multi-factor authentication for an extra level of security. You can also call the SSA at (800) 772-1213 for more information on the application process.

How do I determine my full retirement age?

Here is the Social Security Administration's chart on determining FRA:

Birth Year	Full Retirement Age
1943 – 1954	66 years
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 years

Note: If you were born on January 1, your birth year is the previous year, i.e., if you were born on January 1, 1958, your FRA is calculated for 1957.

Do some family members qualify for my benefits?

Even if your spouse has never worked outside your home or in a job covered by Social Security, he or she may be eligible for spousal benefits based on your Social Security earnings record. Other members of your family may also be eligible. Retirement benefits are generally paid to family members who relied on your income for financial support. If you're receiving retirement benefits, the members of your family who may be eligible for family benefits include:

- Your spouse age 62 or older, if married at least one year.
- Your former spouse age 62 or older, if you were married at least 10 years.
- Your spouse or former spouse at any age, if caring for your child who is under age 16 or disabled.
- Your children under age 18, if unmarried.
- Your children under age 19, if full-time students (through grade 12) or disabled.
- Your children older than 18, if severely disabled.

Your eligible family members will receive a monthly benefit that is as much as 50% of your benefit. However, the amount that can be paid each month to a family is limited. The total benefit that your family can receive based on your earnings record is about 150% to 180% of your full retirement benefit amount. If the total family benefit exceeds this limit, each family member's benefit will be reduced proportionately. Your benefit won't be affected.

For more information, [please contact your advisor.](#)

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