

2025

SOCIAL SECURITY GUIDE



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Welcome to the 2025 Social Security Filing Guide

Social Security benefits are an essential source of income for many Americans in their retirement years. However, navigating the Social Security system can be confusing and overwhelming, particularly when it comes to determining the best time to file for benefits.

With so many rules, regulations and options to consider, it's no wonder that many people find this process challenging. The timing of when you decide to file can significantly impact the amount of benefits you receive over your lifetime, which is why it's crucial to get it right.

This guide aims to simplify the process and provide you with the information you need to make an informed decision about when to file for Social Security benefits. We'll walk you through the various factors to consider, including your age, income and retirement goals, and help you understand how these factors can impact your Social Security benefits.

By the end of this guide, you should have a better understanding of the Social Security system and feel more confident in your ability to make an informed decision about when to file for benefits.

Let's get started!

Ida Mae Fuller Story

Born in 1874 in Ludlow, Vermont, Ida Mae Fuller led a simple and modest life. Her occupations as a legal secretary and schoolteacher kept her busy until she retired in 1939. Witnessing the introduction of Social Security in 1935, Ida Mae recognized it as an opportunity to secure her financial well-being. Eager to take advantage of this new program, she promptly enrolled as one of its earliest participants, contributing a mere \$24.75 in payroll taxes before bidding farewell to the workforce.

On that historic day, January 31, 1940, Ida Mae Fuller received the inaugural monthly Social Security check, totaling \$22.54. This modest amount would continue to arrive in her mailbox every month until her remarkable lifespan ended in 1975 at the impressive age of 100. In total, the sum of \$22,888.92 flowed into Ida Mae's hands over the course of her lifetime, all thanks to the Social Security benefits she had diligently accumulated. Her humble initial investment had grown into a substantial sum, offering her a comfortable retirement and underscoring the effectiveness of the Social Security system.

Ida Mae Fuller's narrative stands as a powerful testament to the significance of Social Security, particularly in providing a safety net during one's golden years. Through her meager contribution to the program, she enjoyed a comfortable existence in her later stages of life. Her enduring legacy inspires future generations, emphasizing the value of proactive planning and investing in social welfare initiatives to secure a prosperous future.



Ida Mae Fuller holding her social security check for \$41.30 on October 4, 1950. AP Photo.

The Basics

When Can I Start Collecting Social Security?

The minimum age to claim benefits is 62. If you are turning 62 and need the income from Social Security to support yourself, you can start claiming benefits now. Claiming Social Security benefits before reaching full retirement age can be an enticing choice for individuals desiring early retirement or requiring immediate income.

Nevertheless, assessing the implications of such a decision on the benefit amount is crucial. Claiming benefits early can reduce up to 30% from the full retirement benefit amount. Conversely, delaying the claiming of benefits beyond full retirement age can yield an increase of up to 8% per year, capping at a maximum of 32% for those who exercise patience and wait until age 70 to claim their well-deserved benefits.

What Is Full Retirement Age (FRA)?

Full Retirement Age (FRA) is when individuals become eligible for full Social Security retirement benefits. It is determined by their birth year and ranges from 66 to 67 for those born in 1943 or later. FRA is a crucial factor in retirement planning,

as it directly affects the amount of Social Security benefits received.

What is Delayed Retirement?

If an individual chooses to delay retirement benefit payments once they reach FRA, it results in higher monthly benefit payments in the future. Please note that the Social Security Administration ceases applying credits that increase future payments once the retiree reaches 70. The longer you can afford to wait after age 62 (up to 70), the larger your monthly benefit will be.

Delaying benefits doesn't necessarily mean you will come out ahead on lifetime benefits. Other factors like life expectancy and spousal benefits should be considered. You should also consider taxes, investment opportunities and health coverage when determining the right filing strategy for you.

Life Expectancy and your Social Security Benefit

Much of the strategy for maximizing Social Security benefits depends on how long you live. Longevity plays a significant role in determining the right filing strategy for you, but it's also very difficult to determine. Putting aside unpredictable possibilities, how long do you think you will live?

What does your family history look like? How long did your parents, grandparents, siblings live? Do you have any underlying conditions like high blood pressure, weight issues, high cholesterol, etc.? If you have a family history of heart disease or other ailments, it might make sense to file for your benefit early.

On the other hand, if you foresee an above-average life expectancy, it might be appropriate to delay filing for benefits for as long as you can. Perform a break-even analysis to get a general idea of the ideal time to file for benefits.

The analysis shows when your total benefits received by waiting will equal the total benefits you would have received by taking it earlier. For example, you will have received the same number of benefits by age 77 by filing at age 62 and receiving a \$1,500 monthly benefit or by filing at age 66 and receiving a \$2,000 monthly benefit. At that point, age 77, the higher monthly benefit you would receive due to waiting would begin to pay off.

Did you know?

Under certain conditions, divorced spouses can collect Social Security benefits based on their ex-spouse's work record.



Spousal Benefits

Someone married to a worker who qualifies for a Social Security retirement benefit may be eligible for a benefit off that working spouse's earnings history. The base spousal benefit is equal to 50% of the FRA benefit of the working spouse. Benefits are paid to a non-working spouse as a percentage of the working spouse's FRA benefit.

Some Spouses Don't Qualify for Their Own Social Security Benefit

Spouses who didn't work a paid job or didn't earn enough credits to qualify for Social Security are eligible to receive benefits starting at age 62 based on their spouse's record. As with claiming benefits on your record, your spousal benefit will be reduced if you take it before reaching your FRA. The highest spousal benefit you can receive is half of the benefit your spouse is entitled to at their FRA. While spouses get a lower benefit if they claim before reaching their own FRA, they will not get a larger spousal benefit by waiting to claim after their FRA. However, a non-working or lower-earning spouse may get a larger spousal benefit if the working spouse has some late-career, high-earning years that boost their benefits.

When a Spouse Passes Away

When one spouse dies, the surviving spouse is entitled to receive their deceased spouse's benefit or keep their own benefit if it is higher. That's why financial planners often advise the higher-earning spouse to delay claiming. If the higher-earning spouse dies first, the surviving, lower-earning spouse will receive a larger Social Security check for life. When the surviving spouse hasn't reached their FRA, they will be entitled to prorated amounts starting at age 60. Once at their FRA, the surviving spouse is entitled to 100% of the deceased spouse's benefit or their own benefit, whichever is higher.

Bi-Partisan Budget Act of 2015

The Bipartisan Budget Act of 2015, signed into law by President Obama in November 2015, was significant legislation that addressed spending caps, national debt and various policy issues. Notably, it eliminated two popular Social Security filing strategies: file and suspend and filing a restricted application.

Before the Act, retirees could use the file and suspend strategy. It involved filing for benefits at full retirement age and suspending them, allowing their spouse to claim spousal benefits while accruing delayed retirement credits. The Act abolished this strategy for individuals reaching full retirement age after April 30, 2016.

Similarly, the Act also eliminated the filing of a restricted application. Workers could file for spousal benefits only and defer their retirement benefits for a higher payout later. This strategy was also eliminated for individuals reaching full retirement age after April 30, 2016.

Consequently, the timing of when to file for Social Security benefits has become crucial for retirees. Filing before full retirement age leads to reduced benefits while delaying filing results in higher benefits. Factors like health, finances, retirement goals, other income sources and tax implications must be considered to determine the optimal filing time.

The elimination of these strategies underscores the importance of carefully considering personal circumstances and financial goals to maximize social security benefits and overall retirement income.

Taxation of Your Benefits

Your Social Security benefits may be partially taxable if your combined income exceeds certain thresholds. The first 15% of your benefits are not taxed, regardless of how much you make.

The SSA defines combined income using this formula:

- Your adjusted gross income + nontaxable interest (for example, municipal bond interest) + half of your Social Security benefits = your combined income

If you file your federal tax return as an individual and your combined income is \$25,001 to \$34,000, you may have to pay income tax on up to 50% of your benefits. If your combined income is more than \$34,000, you may have to pay tax on up to 85% of your benefits. If you're married, filing a joint return, and your combined income is \$32,001 to \$44,000, you may have to pay income tax on up to 50% of your benefits. If your combined income is more than \$44,000, you may have to pay tax on up to 85% of your benefits.

Example:

Let's say you receive the maximum Social Security benefit for a worker retiring at FRA in 2024: \$4,960 per month. Your spouse receives half as much, \$2,480 a month. Together, you receive \$7,440 a month, or \$89,280 per year. Half of that, \$44,640, counts toward your combined income for determining whether you have to pay tax on part of your Social Security benefits.

Let's further assume that you don't have any nontaxable interest, wages or other income except for the required minimum distribution (RMD) of your

traditional individual retirement account (IRA) of \$10,000 for the year. Your combined income would be \$54,640—half of your Social Security income, plus your IRA distribution—which would make up to 85% of your Social Security benefits taxable because you've exceeded the \$44,000 threshold.

Now, you may be thinking, 85% of \$89,280 is \$75,888, and I'm in the 22% tax bracket, so the tax on my Social Security benefits will be \$16,695.36.

Fortunately, the calculation considers other factors, and your tax would be a mere \$225. You can read all about the taxation of Social Security benefits in Internal Revenue Service (IRS) Publication 915

Adjustments To Benefits

Retirees who (1) worked for an employer that did not withhold Social Security taxes from their income and (2) earned a pension benefit from that same employer (known as a “non-covered pension”) may be subject to a reduction in the Social Security benefits they might otherwise be eligible for.

The Windfall Elimination Provision (WEP) can reduce, but not eliminate, the benefit paid to a worker with an uncovered pension. The maximum reduction is the lesser of 50% of the uncovered pension OR a fixed amount based on the number of years they worked in a position covered by Social Security withholding (covered earnings). Someone with 30+ years of covered earnings is not subject to any reduction under the WEP.

The Government Pension Offset (GPO) applies to anyone who receives a non-covered pension while also receiving Social Security benefits based on someone else’s work history (such as spousal or survivor benefits). The reduction in benefits is equal to 2/3 of the pension benefit received and can result in a complete elimination of the Social Security benefit.

Outlook for Social Security

Social Security is a vital source of income for millions of Americans, particularly for retirees and those with disabilities. However, there has been a lot of debate and concern over the long-term financial stability of the program, with some predicting a looming crisis.

The Social Security Board of Trustees oversees the program’s finances and provides an annual report

on its financial status. The latest report, released in 2024, found that Social Security’s finances are still on track to be depleted by 2033, which is unchanged from last year’s report. This means that without any changes to the program, beneficiaries could face a reduction in benefits of up to 24% starting in 2033.

One of the main factors contributing to Social Security’s financial instability is the aging population. As more Baby Boomers retire and live longer, fewer

workers are paying into the program to support them.

The COVID-19 pandemic has further strained the program's finances, with many workers losing their jobs and contributing less to Social Security. The Trustees' report estimates that the pandemic will accelerate the depletion of the program's trust fund by a year to 2033.

Despite these challenges, there are reasons to be cautiously optimistic about the future of Social Security. For one, the program has weathered financial challenges and has always been able to pay out benefits. Additionally, several proposals are being discussed to shore up the program's finances and ensure its sustainability.

One such proposal is to increase the payroll tax rate, which is the primary source of funding for Social Security. Currently, workers and employers each pay 6.2% of workers' wages into the program up to a certain income threshold. Increasing this rate by a percentage point or two could help close the program's funding gap.

Another proposal is to raise the income cap on payroll taxes, which is currently set at \$168,600 in 2024. Any income above this threshold is not subject to payroll taxes. Raising or eliminating the

cap Raising the cap would generate more revenue for the program.

There are also proposals to adjust the benefit formula, such as reducing cost-of-living adjustments for higher earners or changing how benefits are calculated based on earnings history. These changes could reduce the number of benefits paid out while ensuring that those needing the most assistance are still supported.

The outlook for Social Security benefits remains uncertain, but there are reasons to be cautiously optimistic. The program faces significant financial challenges, but proposals are being discussed to address these challenges and ensure its sustainability for future generations. Policymakers must act soon to implement changes to the program to avoid a potential crisis and ensure that Social Security continues to provide a vital safety net for Americans in the future.



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