

How to Optimize Social Security to Help Maximize Your Benefits



To most American workers, the Social Security Program is a guarantee of money in their post-working years to help them live more comfortably for the rest of their lives. Social Security supplies an average of 66 million Americans per month with Social Security benefits for retirees, disabled workers, survivors, and dependents, totaling more than \$15 trillion dollars annually in 2024.¹ Of those, 50.1 million were retirement beneficiaries, meaning that nine out of ten Americans over the age of 65 receive Social Security benefits.²



Despite the sheer number of people who depend on the program, many Americans fail to realize that Social Security only supplies roughly 30% of a worker's income prior to retirement.³ This is assuming that the beneficiary has done everything possible to maximize their benefits. The rub is that many Americans don't understand which factors they should take into account, much less how to ensure they're making the best retirement decisions for their future quality of life.

Maximizing your benefits depends on several crucial factors. It's important to examine each one as you and your financial professional determine an action plan. Below are some suggested actions that could help you get the most out of your Social Security benefits.

[Ensure You Meet Social Security Qualifications](#)

[Increase Your Earning Years](#)

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In these next pages, we'll expand on how each factor contributes to your maximum benefit amount and how you could potentially capitalize on each opportunity.

Ensure You Meet Social Security Qualifications

In order to qualify for retirement benefits, you must earn a minimum of 40 Social Security credits. Credits are earned through working years and your contribution to Social Security taxes paid on those wages. As of January 1, 2024, workers receive one credit for each \$1,730 of earnings with a maximum of four credits per year.⁴ Keep in mind that extra credits do not increase your benefit amount. Moreover, each year the amount of earnings needed to obtain a credit on your record may rise as average earning levels go up. The SSA only uses the amount of credits you've earned to determine retirement benefits eligibility and your family's eligibility for survivor's benefits should you pass away.

^{1,2} [Social Security Basic Facts, Accessed April 11, 2024](https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf) www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

³ [Yahoo Finance, February 3, 2024](https://finance.yahoo.com/news/average-social-security-benefit-retirees-115600959.html) finance.yahoo.com/news/average-social-security-benefit-retirees-115600959.html

⁴ [How You Earn Credits 2024](https://www.ssa.gov/pubs/EN-05-10072.pdf) www.ssa.gov/pubs/EN-05-10072.pdf

Increase Your Earning Years

The number of years you've worked is a crucial factor to consider when thinking about your Social Security benefits. The amount of Social Security benefits you receive are based on your highest 35 working years. Many people receive higher wages the older they are. By working for more calendar years, you can essentially "knock out" lower earning years and replace them with higher earning years, thus increasing your overall benefit average. The math aside, accumulating more working years has several other potential benefits including:

Increase Retirement Funding

Delay Utilization of Retirement Assets

Fortify Retirement for Women

Use the Social Security Retirement Estimator on the SSA website to determine which of your working years are counted toward your benefits.⁵ You'll easily be able to determine how many more years you may need to work to help maximize your benefits.

Increase Retirement Funding

We all want more money in our pockets and if changing jobs or negotiating a raise isn't an option, you can always choose to work longer. We know that when you hear you have to "work more years" to maximize your retirement, it can seem like you're walking two steps forward just to take three steps back. We encourage you not to think of it that way and instead think about it in terms of using your working years to your advantage. The longer you work, the more opportunities you have to put aside cash savings, capitalize on investments, take advantage of a company match to your retirement plan from your employer, and use your employer's health insurance plan.

Delay Utilization of Retirement Assets

Generally speaking, the longer you can delay dipping into your IRA or 401(k), the more funds you'll likely have to help supply you with a good quality of life through your retirement. If you choose to continue working, it can be an excellent opportunity to increase the amount of income contributed to your IRA or 401(k). Consider striving for the maximum amount your employer will match, and perhaps more, if your current budget allows.



Fortify Retirement for Women

Working for a longer span of years can be a particularly good strategy for prospective female retirees. According to the National Council on Aging, for beneficiaries age 65 or older, Social Security represents at least 50% of income for 42% of women and 90% of their income for 15% of women.⁶ Retirement aged women are more likely to live in poverty than men because of wage discrimination and time away from the workforce for caregiving.⁷

The dependency ratio stems from the fact that American women typically:

Live longer than men.

Earn less income and pension than men.

Often earn more in their later years of life.

Typically take significantly more time away from the workforce for pregnancy, child rearing, or to care for aging relatives.⁸

While Social Security is a benefit that anyone can claim regardless of gender, but for women, Social Security may not yield the security they expect due to lower wages and fewer working years throughout their lifetime.⁹ To that end, the longer a woman can work, the better for her retirement plan. For example, a woman who is 65 years old today can expect to live an average of 20.8 more years.¹⁰ All in all, her retirement could total as many as 20 to 30 years, and while Social Security benefits have the potential to adjust each year due to inflation, she will have to balance that with her other financial assets, which may not meet her total life expectancy.¹¹

⁵ Estimate Retirement Benefits | SSA, Accessed April 11, 2024 www.ssa.gov/benefits/retirement/estimator.html

^{6,7,9} Get the Facts on Economic Security for Seniors, February 22, 2024 ncoa.org/article/get-the-facts-on-economic-security-for-seniors

⁸ Oxfam, March 12, 2024 www.oxfamamerica.org/explore/stories/what-is-the-gender-pay-gap/

^{10,11} Retirement Planning Tips for Women, March 14, 2024 www.neebc.org/index.php?option=com_dailyplanetblog&view=entry&year=2021&month=03&day=17&id=68:retirement-planning-tips-for-women



Timing Your Benefits

It may seem illogical or counterintuitive, but generally speaking, the longer you hold off on claiming your retirement benefits, the higher your monthly payments will be until age 70. It's important to take lifestyle, family history, any medical conditions, and your spouse's situation into account when you think about what age to claim your benefits.

Early Retirement—Age 62

The earliest age to receive Social Security benefits is 62 but claiming early results in significant monthly income reductions. For example, if a person born in 1960 were to claim their benefits at age 62, they would receive a 60-month reduction applied to their primary insurance amount, thus a 30% decrease in their monthly benefits.¹² This is generally an acceptable option for someone who doesn't expect longevity from their life due to family history or known illnesses, or if they are unable to wait longer to begin receiving Social Security income, but before you commit to this alternative, consider that Americans are living longer than ever.

In 1940, the average life expectancy of a retired 65 year old was only about 14 years.¹³ In 2024, it's just over 20 years, a figure that will likely only increase as medical technology and standards of living continue to grow.¹⁴ In fact, the Social Security Trustees Report estimates that the number of Americans 65 and older will grow from 58 million in 2022 to an estimated 76 million by 2035.¹⁵ Keep all of this in mind when you think about your retirement age—your golden years are likely to last much longer than you think.

Suspend Your Early Retirement Benefits

If you already started your retirement benefits at 62 and decided that it was a mistake, you have the option to suspend your benefits once you reach age 67 (full retirement age). This will allow you to accrue delayed retirement credits, earning you an extra 8% per year up to age 70. You can also change your mind within a year of applying for Social Security, withdraw your application, pay back the funds, and essentially restart the clock.¹⁶ Remember: you can only do this once in your lifetime.

Full Retirement—Age 67

You can start to receive your full benefit amount at age 67 (age 66 if you were born from 1943 to 1954).¹⁷ At 65, you're also eligible for Medicare. With only two years remaining until full your full Social Security retirement age, it might make sense for some to continue to work if you're still in good health, have years of longevity to look forward to, and you have comparable health insurance through your employer. Plus, you'll have additional time to contribute to your IRA, 401(k), investments, or cash assets.

Delayed Retirement—Age 70

Retirement at age 70 is considered "late" retirement and there are numerous benefits to doing so, especially since you can still apply for Medicare separately at age 65 if you don't have other credible health coverage in place. For every year you delay your retirement (up to age 70), you'll earn an individual 8% in delayed retirement credits, along with the potential for continued cost of living adjustment (COLA) increases. This enables you to start out with a higher monthly benefit and potentially larger COLA increases each year as your benefits adapt to inflation. There's no monetary incentive for working past age 70.

More and more Americans every year delay retirement for various reasons, not the least of which is maximizing their Social Security benefits, but studies show that the health advantages should not be overlooked. Studies show that older adults who continue to be engaged professionally and socially have fewer adverse mental and physical health conditions.¹⁸ Perhaps these reasons coupled with monetary gain is why in 2022, 19.3% of Americans over the age of 65 continued to participate in the workforce.¹⁹

¹² ¹⁷ **Benefit Reduction for Early Retirement, Accessed April 11, 2024** www.ssa.gov/OACT/quickcalc/earlyretire.html

¹³ ¹⁴ ¹⁵ **Social Security Basic Facts, Accessed April 11, 2024** www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

¹⁶ **Suspending Your Retirement Benefit Payments | SSA, Accessed April 11, 2024** www.ssa.gov/benefits/retirement/planner/suspend.html

¹⁸ **Help Guide, Accessed April 11, 2024** www.helpguide.org/articles/aging-issues/adjusting-to-retirement.htm

¹⁹ **USA Facts, February 8, 2024** usafacts.org/articles/is-the-american-labor-force-getting-older/



Marital Status

Some of the more complex Social Security scenarios occur for married, divorced, or widowed individuals. While nothing can prevent you from claiming your own Social Security benefits (as long as you meet the necessary qualifications), you can use your marital status to your advantage depending on your situation.

Married Applicants

One of the most beneficial points about Social Security benefits is that married applicants who qualify for more than one benefit will automatically receive the higher benefit. This applies most often for married couples in situations where one spouse made more throughout their lifetime than the other spouse. The second spouse can certainly claim benefits based on their own work record, but they may receive a higher benefit through their spouse's employment. The higher earning spouse must first begin collecting their Social Security benefits before the lower earning spouse can qualify for spousal benefits.²⁰

Divorced Applicants

Though there are specific sets of circumstances for each divorce contingency, it is possible for divorced spouses to claim what are known as "auxiliary benefits" based on their former spouse's record as either a divorced spouse or a surviving divorced spouse.²¹ Divorced spouses are eligible if the ex-spouse was fully insured for Social Security benefits and the marriage lasted at least ten years, however, they must be divorced for at least two years and not have remarried.²²

Survivor Benefits

To start with, surviving spouses who were still married to their partners automatically receive a one-time lump sum \$255 death payment. Apart from that, most survivors are eligible to receive reduced benefits starting at age 60, assuming their spouse had worked long enough to qualify for Social Security themselves. Surviving spouses can switch to their own benefits (if those are higher value) as early as age 62.²³ Survivors below age 60 can still receive benefits if they have not remarried and are the primary caregiver to the deceased worker's child who must be under the age of 16 or disabled.²⁴ You may also receive survivor benefits as early as age 50 if you have a disability which occurred within seven years of the deceased worker's death.²⁵

Anticipated Medical Costs

Out-of-pocket medical costs are often one of the most draining expenses holistically for retirees. Most people don't pay a premium for Medicare Part A because they worked for more than 10 years and had Social Security taxes withheld from their paycheck, but for those that do, they can expect to pay up to \$505 monthly in premiums. Hospital stays under Part A cost a \$1,632 deductible per benefit period.²⁶ In 2024, the standard monthly premium for Part B is \$174.70, which is the amount most beneficiaries pay, with a deductible of \$240 per year.²⁷ The average Medicare Advantage/Part C premiums range between \$0 and \$200 or more with an average premium of \$18.50 per month.²⁸

²⁰ Social Security Administration, Accessed April 9, 2024 www.ssa.gov/oact/quickcalc/spouse.html

^{21 22} Fidelity, March 28, 2024 www.fidelity.com/viewpoints/retirement/social-security-for-divorced-spouses

^{23 24 25} If You Are The Survivor | SSA, Accessed April 11, 2024 www.ssa.gov/benefits/survivors/ifyou.html

^{26 27 28} National Council on Aging, October 13, 2023 www.ncoa.org/article/what-you-will-pay-in-out-of-pocket-medicare-costs-in-2024



For Part D spending (prescription drug coverage), annual premiums are estimated to be approximately \$55.50 per person for standard coverage, and the deductible can be no more than \$545 per year.²⁹ Moreover, in 2024, the 5% coinsurance requirement for Part D has been eliminated as part of the Inflation Reduction Act.³⁰ The absolute best thing you can do for yourself and for the quality of your retirement is to save more, but if you're already at retirement age or have begun suffering negative health effects, you have a few options that can help mitigate the rising health costs:

Explore Various Medicare Options.

Check Eligibility for Medicaid.

Discuss Options with Your Doctor.

You may be able to use some combination of these options to help curtail your overall out-of-pocket medical costs.

Explore Various Medicare Options

Considering using the Medicare open enrollment period to find alternatives to traditional Medicare like the Medicare Advantage Plans or Medicare

Supplement Insurance ("Medigap") to help fill in coverage gaps. You might find that your premiums are higher, but in the long run, you could help offset out-of-pocket costs throughout the year by utilizing one of these plans.

Check Eligibility for Medicaid

Some retirees can get additional medical care coverage from Medicaid if your income is modest enough. Medicaid sometimes covers treatments and medications that Medicare doesn't and can often help keep out-of-pocket costs to a minimum.

Discuss Options with Your Doctor

It stands to reason that your doctors are all too familiar with rising medical costs. Fortunately, that means they see situations like yours enough that they might also have a few tricks that could help you lower your medical costs. Speak to your doctor about your biggest medical cost pain points. They may be able to direct you to services covered under Medicare that you weren't aware of before or may be able to help you get access to generic medications or discounted materials.

Conclusion: Using Social Security to Help Optimize Retirement

Social Security isn't as straightforward a system as some people think. Moreover, public attitudes about Social Security can leave many applicants confused on the actions they should take, leaving them to approach Social Security as a system they have to game or beat rather than a tool they can use to get the most out of their benefits. Regardless of your situation, your income, your health, your marital status, or any other of the other crucial factors that impact your benefits, the most important question to ask yourself is: "How could I use my Social Security to better impact my quality of life?" Answering this question can help lead you in the right direction to achieving the quality retirement you've been waiting for.

²⁹ ³⁰ National Council on Aging, October 13, 2023 www.ncoa.org/article/what-you-will-pay-in-out-of-pocket-medicare-costs-in-2024



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