A RETIREMENT INSTITUTE GUIDE

Claiming Considerations for *Social Security*

The decisions that shape your income, your taxes, and your spouse's security — most of which you only get to make once.

WELCOME

Knowledge first. Always.

The Retirement Institute exists to help Americans approaching and living in retirement make clear, confident, well-informed financial decisions — without the pressure of a sales pitch.

This guide opens our Social Security Series — part of a growing library of educational resources built to put real knowledge — and real control — back in your hands.

Few decisions carry as much weight as *when* and *how* you claim Social Security. For most households it represents hundreds of thousands of dollars in lifetime income, and many of its moving parts are permanent. Yet it's often decided in an afternoon, on a hunch, without seeing the whole board.

The stakes are enormous. One landmark analysis of real households estimated that American retirees will forfeit a collective **$3.4 trillion** in lifetime income — roughly **$111,000 per household** — simply by claiming Social Security at a financially sub-optimal time.[1] Getting this one decision right may be worth more than almost anything else you do in the years before retirement.

The seven things that follow won't tell you exactly when to claim — no honest guide could; your situation is your own. Instead, they give you a clearer way of *seeing* the decision before you make it.

BEFORE YOU BEGIN

This guide is for general education only. It is not personalized financial, tax, or legal advice, and no advisor-client relationship is created by reading it. Dollar figures reflect 2025 rules and adjust over time; the Social Security Administration (ssa.gov) is the authoritative source for your own benefit. Please consult a qualified professional before acting. (Full disclosures appear at the end.)

INTRODUCTION

One decision. *Decades* of consequences.

You can claim Social Security as early as age 62 or as late as 70. The month you choose sets your benefit — for the rest of your life, and often for your spouse's life too. Wait longer, and each check grows. Claim sooner, and it shrinks. Permanently.

Earliest

Age 62

The popular default. Benefits are reduced by about **30%** compared with your full retirement age — for life.

Full Retirement Age

Age 67

For anyone born in 1960 or later, FRA is 67. This is your baseline — 100% of your earned benefit.

Latest

Age 70

Delayed credits add roughly **8% per year** past FRA — about **24% more** than at 67, locked in for life.

> The difference between claiming at 62 and at 70 can exceed **75%** per check. Yet the most common age Americans claim is 62 — frequently by default, not by design.

This guide isn't an argument to always wait, or to always claim early. The right answer depends on your health, your savings, your tax picture, your marital situation, and your need for income today. What follows are the seven things worth weighing — *before* you file the paperwork you mostly can't take back.

NUMBER 1

01

Claiming early costs more than a smaller check

Claiming at 62 doesn't just trim your monthly benefit by about 30%. It also lowers the *base* that two other things are built on for the rest of your life: your annual cost-of-living raises (Key 6) and the survivor benefit your spouse may one day inherit (Key 4). A smaller base today compounds into a smaller everything, later.

And in most cases, the reduction is permanent. Outside of a narrow 12-month "withdrawal" window or a voluntary suspension at full retirement age, the age you choose is the age you keep.

The data suggests most people get this exact call wrong. In that same large study of real households, more than **70% of retirees claimed before age 64** — yet only about **6.5%** of retirees would actually come out ahead by claiming that early. Just 4% timed the decision optimally at all.[1] In other words, claiming early is the most popular choice and, for the overwhelming majority, the costliest one.

CASE STUDY · HYPOTHETICAL

Margaret's benefit at her full retirement age (67) would be **$2,400/month**. Here's what the same earnings record pays at three different claiming ages:

CLAIM AT 62	CLAIM AT 67	CLAIM AT 70
$1,680	$2,400	$2,976
per month, for life	per month, for life	per month, for life

That's a swing of about **$1,296 a month** — roughly **$15,500 a year**, inflation-adjusted, for as long as she lives. Same person, same record; only the timing changed.

> *The check you claim early is the smallest check you will ever receive — and you'll receive it the longest.*

NUMBER 2

02

Waiting is a raise you can't buy anywhere else

For every year you delay past full retirement age (up to 70), Social Security adds roughly **8%** to your benefit through delayed retirement credits. There is no investment, annuity, or CD on the open market that reliably offers a guaranteed, inflation-adjusted 8% increase with no downside risk.

It helps to reframe what Social Security actually is. It isn't a savings account you're racing to empty. It's *longevity insurance* — a stream of income that's guaranteed to last as long as you do and rises with inflation. The risk it protects against isn't dying early. It's living a long time and running short.

- Delayed credits stop accruing at 70 — there's no benefit to waiting beyond that
- The "raise" is permanent and becomes the base your future COLAs grow from
- If you're healthy and have other assets to bridge the gap, waiting often buys the most valuable income you'll own

> *Delaying isn't leaving money on the table. It's buying the cheapest lifetime, inflation-protected income available anywhere.*

NUMBER 3

03

"Provisional income" decides how much of your check is taxed

Many people are surprised to learn their Social Security can be taxed at all. Whether it is — and how much — comes down to a single figure the IRS calls **provisional income**:

> Adjusted Gross Income + tax-exempt interest + ½ of your Social Security

Cross certain thresholds and up to **50%**, then up to **85%**, of your benefit becomes taxable. (For married couples filing jointly, those thresholds sit at $32,000 and $44,000 — and notably, they've never been adjusted for inflation.)

Here's the part that matters most: *many* things can nudge your provisional income upward, but the single largest culprit for most retirees is **withdrawals from qualified accounts** — Traditional IRAs and 401(k)s, especially once Required Minimum Distributions begin. Those dollars land in your AGI and can drag your Social Security into taxation right alongside them. The same rising income can also lift your Medicare premiums through IRMAA.

CASE STUDY · HYPOTHETICAL

The Carters (married, filing jointly) receive **$40,000** in combined Social Security and have about **$2,000** in interest. They need another $50,000 to live on.

Drawn from a Traditional IRA: that $50,000 RMD pushes provisional income to roughly $72,000 — far above the $44,000 threshold. Now up to **85% of their Social Security** (about $34,000) is taxable.

Drawn from a Roth instead: qualified Roth withdrawals don't count toward provisional income. Their figure stays near $22,000 — below the first threshold — and **none** of their Social Security is taxed.

Same couple, same $50,000 of spending. The only thing that changed was the *bucket* the money came from.

> *You can't always control your benefit. You can often control the income that decides how much of it is taxed.*

NUMBER 4

04

Your claim is a household decision, not just yours

When one spouse passes away, the survivor doesn't keep both checks. They keep the *larger* of the two — and the smaller one disappears. That single rule turns the higher earner's claiming age into one of the most important survivor-protection decisions a married couple can make.

Delaying the higher earner's benefit doesn't just raise income while both spouses are alive. It raises the floor the survivor will stand on, potentially for many years, often during the most financially vulnerable stretch of life.

CASE STUDY · HYPOTHETICAL

Frank's full-retirement-age benefit is **$2,900**; Linda's own is **$1,500**. If Frank delays to 70, his benefit grows to about **$3,596**. While both are living, the household receives both checks.

When Frank passes first, Linda's own $1,500 stops and she steps up to Frank's **$3,596** as a survivor benefit. Had Frank instead claimed at 62 (about $2,030), Linda's survivor benefit would have been roughly **$1,566 less every month** — for the rest of her life.

Frank's decision to wait was never really about Frank. It was insurance for Linda.

> *For married couples, the higher earner's claiming age may matter most to the person who outlives them.*

NUMBER 5

05

The earnings test is a deferral, not a penalty

If you claim before full retirement age *and* keep working, Social Security may temporarily withhold part of your benefit based on what you earn. In 2025, benefits are reduced by $1 for every $2 earned above about **$23,400** (a higher limit and gentler formula apply in the year you reach FRA). These figures adjust annually.

It feels like a penalty. It mostly isn't. When you reach full retirement age, Social Security recalculates your benefit and credits back the months it withheld, permanently raising your monthly check from then on. You recover the withheld dollars gradually, over your remaining lifetime, rather than in a lump sum — so the longer you live, the more fully it's returned. The money is largely deferred, not destroyed.

Still, the earnings test is a strong signal worth heeding:

- If you're still working and earning meaningfully, claiming early may simply trigger withholding
- You may also be locking in a reduced benefit *and* exposing more of it to taxation (Key 3)
- For many who are still earning, waiting until FRA — or beyond — is the cleaner path

> *The earnings test rarely takes your money for good. But it's often a sign you claimed before you needed to.*

NUMBER 6

06

Your benefit comes with a built-in inflation raise

Each year, Social Security applies a cost-of-living adjustment (COLA) designed to help your benefit keep pace with inflation. It's one of the most valuable and overlooked features of the program — very few sources of retirement income offer automatic, lifelong inflation protection.

Here's the quiet compounding effect: COLA is applied to your *current* benefit. A larger base means every future raise is calculated on a bigger number — so the gap between an early, smaller benefit and a delayed, larger one doesn't just persist. It widens, year after year.

- A higher starting benefit means larger COLA dollars every single year that follows
- Over a long retirement, that widening gap can be worth far more than the headline difference suggests
- Inflation protection is precisely why Social Security is such a powerful longevity hedge (Key 2)

> *COLA rewards a bigger base. The benefit you delay isn't just larger today — it grows from a higher floor for life.*

NUMBER 7

07

Break-even math misses the point

The most common way people decide when to claim is the "break-even" calculation: "At *what age does waiting finally pay off*?" It's a tidy question. It's also the wrong starting point.

Break-even math treats Social Security like a bet on your own death date — win if you live long enough, lose if you don't. But you can't spend a break-even point, and no one knows their date. The better questions are about how the claim fits the *whole* plan:

- How does the timing interact with your provisional income and taxes? (Key 3)
- What does it mean for the spouse who may outlive you? (Key 4)
- Do you have other assets — including tax-free dollars — to bridge a delay?
- Are you protecting against living too *long*, not dying too soon?

Claimed in isolation, Social Security is just a check. Coordinated with your tax strategy and your savings, it becomes the stable, inflation-protected foundation the rest of your retirement is built on.

> *Don't ask only when you break even. Ask how this one decision fits every other decision in your plan.*

THE BOTTOM LINE

Claim on purpose — not by default.

Social Security may be the largest, most under-analyzed decision of your retirement. Much of it is permanent. And it doesn't happen in isolation — it's tangled up with your taxes, your spouse's future, and every other dollar you've saved.

Two themes run through all seven points. First, **timing is power**: when you claim shapes your income, your COLA base, and your survivor's security for decades. Second, **your other accounts decide how much of it you keep** — because the qualified-account withdrawals that fill so many retirement plans are the very thing most likely to tax your benefit away.

TWO HONEST QUESTIONS WORTH SITTING WITH

— *If you claimed early, was it a decision — or simply the default?*

— *Could the accounts you draw from be taxing away the Social Security you worked a lifetime to earn?*

That second question is where this guide meets its companion, 8 *Keys to Roth Conversions*. The more of your income that lives in the tax-free column, the less of your Social Security the IRS can reach. The keys here are a way of seeing the decision clearly; turning them into a plan built around your numbers is a conversation worth having with a qualified professional.

About The Retirement Institute

The Retirement Institute is a non-profit dedicated to financial education for Americans approaching and living in retirement. We publish clear, unbiased guides on the decisions that matter most — taxes, income, healthcare costs, and legacy — so that families can act from knowledge rather than fear. We don't sell products. We teach.

IMPORTANT DISCLOSURES

This guide is provided by The Retirement Institute for general educational purposes only. It does not constitute, and should not be relied upon as, personalized financial, investment, tax, insurance, or legal advice, and it does not create any advisor-client or fiduciary relationship. The case studies are hypothetical, simplified for illustration, do not reflect any specific individual's situation, and are not a guarantee of future results.

Dollar thresholds, earnings-test limits, full retirement ages, delayed-credit and reduction percentages, and the taxation of benefits are governed by federal law and Social Security Administration rules, which change over time. Figures cited reflect 2025 and may be adjusted annually. The Social Security Administration (ssa.gov) is the authoritative source for your personal benefit estimate and current rules.

The optimal claiming age and withdrawal strategy depend entirely on your individual circumstances, including health, marital status, other income, and tax situation. Before acting on anything in this guide, consult a qualified financial advisor, tax professional, and/or the Social Security Administration who can review your complete situation.

[1] Research findings cited in this guide — including the $3.4 trillion in forfeited lifetime income (about $111,000 per household), the finding that more than 70% of retirees claim before 64 while only ~6.5% benefit from doing so, and that roughly 4% claim at the financially optimal time — are drawn from Matt Fellowes, Jason J. Fichtner, Lincoln Plews, and Kevin Whitman, "The Retirement Solution Hiding in Plain Sight: How Much Retirees Would Gain by Improving Social Security Decisions," United Income, 2019. Figures are stated in 2018 dollars.