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Social Security Is More Than a Claiming Decision



BY STEVE
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Most people approaching retirement eventually ask: "When should I claim Social Security?"

But I think a better question is: "What job does Social Security need to perform in my retirement plan?"

This small change represents a big shift. Yes, Social Security is a government benefit with a filing date attached. But for

many families, it's a significant monthly income source that adjusts for inflation and continues for life. For married couples, that income may even impact a widowed spouse.

Given these factors, "when to claim" should involve household planning, not just math.

But first we must address the elephant in the room: Will Social Security even be there?

Social Security faces real funding challenges, but that doesn't mean the program will vanish. Current projections show the combined OASDI trust funds depleting around 2034. Then, without legislative changes, incoming payroll taxes are projected to cover about 83% of scheduled benefits. Ultimately the issue is a projected shortfall, not an immediate disappearance.

As such, Congress will eventually need to address Social Security's long-term funding through changes to benefits, payroll tax and/or other factors. But we cannot build a retirement plan around guessing what Congress may do. We must acknowledge the uncertainty while thoughtfully navigating today's rules.

One of the most impactful rules is full retirement age. For those born in 1960 or later, full retirement age is 67, and claiming earlier would permanently reduce benefits. Claiming at 62 would provide 70% of the full benefit, whereas waiting until 70 increases benefits to 124% of the full amount.

That difference can be meaningful, especially over a long retirement. Someone retiring in their mid-60s may need income for 25 or 30 years. The longer the retirement, the more valuable a larger inflation-adjusted income stream becomes.

Still, waiting isn't automatically the right solution. Health, family history, employment, savings, cash flow, taxes and personal needs all matter. Someone with serious health concerns or an immediate income need may reasonably claim earlier. But family longevity, sufficient savings, and flexibility may tip the scale toward

waiting. The right answer won't be found in a slogan but in your specific details.

For married couples, those details become more critical. Rather than viewing Social Security through the lens of two isolated individuals, a claiming choice can affect both spouses, particularly if one earned significantly more. Spousal benefits may provide up to 50% of the higher earner's full benefit, although the spouse won't earn delayed retirement credits after full retirement age. Survivor benefits follow their own rules and can become a critical piece of retirement income for the widowed spouse.

Many households underestimate these stakes. Rather than asking, "Which strategy gives us the most income today?" consider, "Which strategy leaves the survivor in the strongest position later?" When one spouse dies, one Social Security check goes away, but many household expenses remain. A larger benefit can matter greatly.

Taxes add another layer. Many retirees are surprised to learn that, depending on their income, up to 85% of Social Security benefits may be subject to federal taxes. The calculation uses provisional income, which generally includes adjusted gross income, tax-exempt interest and half of Social Security benefits.

That doesn't mean 85% of the benefit is lost to taxes. It means up to 85% may be included in taxable income. Pre-tax IRA withdrawals, pension income, wages, capital gains and interest can all increase provisional income. Roth IRA distributions, under current rules, do not. That makes withdrawal sequencing and tax planning critical to the Social Security conversation.

Working while claiming early benefits can also add confusion. Before full retirement age, Social Security applies an earnings test. Benefits may be withheld if earnings exceed certain limits. Those withheld benefits aren't necessarily lost forever; Social Security recalculates the benefit at full retirement age to account for months withheld. But the near-term cash-flow impact can surprise early claimers who keep working.

This is why Social Security decisions require context. Your claiming age matters, but it shouldn't be separated from your broader plan. Social Security interacts with pensions, portfolio income, IRA withdrawals, Roth assets, taxes, survivor needs, inflation, healthcare costs and longevity. It's one piece of the retirement income puzzle.

So, when should you claim Social Security? The honest answer is "it depends." But that

ambiguity shouldn't cause you to avoid the question. It should invite you to ask better ones.

What income do you need, and when? How long might retirement last? What happens to a surviving spouse? How will taxes affect the benefit? Are you still working? Do you have other assets to support spending if you delay? Would claiming early solve a real need, or simply satisfy a desire to get something back sooner?

Social Security may feel simple because nearly everyone knows its basic premise: work, pay in, retire, collect. But the actual timing decision deserves more respect.

For many Americans, Social Security is a critical income stream. Rather than being guessed at, rushed into or decided in isolation, it should be planned.

The goal is not to find the one perfect claiming age that works for everyone, but to understand how Social Security fits into the life you hope to fund.

To access more information on Social Security or our complimentary new webinar, "What You Need to Know About Social Security in 2026," visit <https://prosperion.us>. Contact our office if you would like to have a conversation.

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