

RETIREMENT

Don't Make These Big Mistakes When Claiming Your Social Security Benefits

New survey reveals that many people don't know their full retirement age, aren't sure the age they are or were eligible for full retirement benefits or take benefits too early.



Although Social Security adds stability to many people's retirement plans, nearly half (49%) don't know how to maximize their benefits, according to a recent survey by Nationwide Financial. Another 33% of adults said they don't know at what age they are or were eligible for full retirement benefits.

It's not hard to understand why many Americans are unclear about how Social Security benefits work. The rules are extensive and can be confusing. According to the survey, many people aren't sure what their full retirement age (FRA) is, at what age they are eligible for full benefits, and if they should take benefits early or delay benefits until later in life. With over 72 million Americans on track to collect benefits from Social Security this year, knowing when to retire and how to maximize benefits is crucial.

If you don't know how Social Security works, when to claim your benefits or how to maximize your benefits, you could be missing out on reaching your retirement goals. Here's what you need to know.

What is Full Retirement Age (FRA)?

Your Social Security 'full retirement age' (FRA), also known as normal retirement age, is the age you're entitled to 100% of your earned Social Security benefits. FRA is 66 for beneficiaries born between 1943 and 1954. It gradually increases to 67 for beneficiaries born in 1960 or later. In terms of strategy, claiming Social Security before your FRA reduces your monthly benefit, while delaying benefits until age 70 increases your monthly benefit.

The Social Security Administration (SSA) defines your FRA based on your birth year and your lifetime earnings history. The SSA adjusts your actual earnings based on the 35 years when you earned the most money. If you worked fewer than 35 years, Social Security credits you with zero earnings for each year up to 35. Although you can start collecting Social Security at age 62, if you sign up before your full retirement age, you won't receive the full benefit you have earned.

Oddly enough, if you were born on the first day of a month, the SSA uses the previous month to figure your FRA. So, if you were born on March 1, the SSA considers you to have been born in the previous month (Feb). If you were born on January 1, the SSA bases your FRA on the previous year.

This is your FRA by birth year.

FRA based on birth year

Year of Birth	Full Retirement Age (FRA)
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months

1942	65 and 10 months
1943 - 1954	66
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 over	67

Reduction in your benefit for early retirement

You can claim Social Security as early as age 62. But if you claim benefits early, you will see a reduction in your benefit amount.

Year of Birth	Months Between Age 62 and FRA	Percentage of Reduction in Benefit	Percentage of Reduction in Benefit for Spouse
1937 or earlier	36	20%	25%
1938	38	20.83%	25.83%
1939	40	21.67%	26.67%
1940	42	22.50%	27.50%
1941	44	23.33%	28.33%
1942	46	24.17%	29.17%
1943 - 1954	48	25%	30%

1955	50	25.83%	30.83%
1956	52	26.67%	31.67%
1957	54	27.50%	32.50%
1958	56	28.33%	33.33%
1959	58	29.17%	34.17%
1960 and later	60	30%	35%

At what age should you start receiving benefits?

How much you receive in monthly benefits depends on the age you begin receiving Social Security. Putting off filing for benefits as long as possible will maximize your monthly payments. However, when you start claiming benefits is up to you and will depend on any number of circumstances, such as if you decide to continue working past the age of 62.

If you experience an unexpected health emergency or you don't expect to live a long life, you may decide to claim benefits early. On the other hand, if you have resources like a pension, investment portfolio, or other sources of income, you might feel you can be flexible about when to take Social Security benefits. However, if you need your benefits to make ends meet, you may have fewer options.

Full Retirement Age (FRA)

FRA is the age you can start receiving your full retirement benefit amount. If you were born from 1943 to 1954, your FRA is age 66. The FRA gradually increases if you were born from 1955 to 1960, until it reaches 67. If you were born in 1960 or later, your full retirement benefits are payable to you at age 67. Use our Social Security Full Retirement Age calculator to sort it out.

Early retirement age

You can begin taking Social Security retirement benefits as early as age 62. However, taking benefits before your full retirement age will mean a permanent reduction in your payments — as much as 25% to 30%, depending on your full retirement age. And, despite what you may think, your payment will not automatically increase to 100% of your full retirement benefit when you reach full retirement age.

However, Social Security gives you 12 months from the date you applied for retirement benefits to cancel your initial claim if you change your mind. That way, you can refile when you reach full retirement age and get your full benefit amount. However, you will have to repay any money Social Security has paid you. Also, if you continue working but claim benefits early, your monthly payment might be cut further, depending on your income. However, the reduction is not permanent.

Delayed retirement age

If you hold off claiming your Social Security benefits beyond your FRA, your retirement benefit will continue to increase up until age 70. There is no incentive to delay claiming after age 70. All things considered, it pays to delay claiming your benefits, sometimes even beyond your FRA.

Other key insights from the survey

The survey by Nationwide Financial also revealed that few people know all of the details of how Social Security works, with almost half of Americans having an incorrect view about how claiming benefits early (or late) will impact their monthly benefit.

- Of those not currently receiving Social Security benefits, two in five are unsure how much their future monthly payment will be.
- Many of those surveyed aren't sure at what age to expect their retirement savings to run out.
- Less than half of those surveyed agree that they expect their Social Security benefits will be enough to cover their basic needs in retirement.
- When thinking about retirement, nearly two-thirds plan to use or are using their full Social Security benefit for their monthly expenses.
- A third (34%) of adults not currently receiving Social Security benefits (but who plan to) intend on filing for benefits early and continuing to work.
- More than three in five who pay to work with a financial professional report that they receive advice about how and when to file for benefits.

- Those age 60-65 expect to draw Social Security at an average age of 65.

NYSUT NOTE: No matter your age, you can get valuable financial advice from the NYSUT Member Benefits Corporation–endorsed [Financial Counseling Program](#). All NYSUT members are eligible to enroll and, with a full-service plan costing only \$260 annually, unbiased advice is only a phone call or virtual consultation away.

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