

SOCIAL SECURITY

Feeling Insecure About Social Security? You're Not Alone.

New research reveals the crucial gaps in Americans' Social Security knowledge that could make a big difference in your retirement income.



Getty Images

It probably comes as no surprise that ongoing economic fallout from the pandemic, including inflation, market volatility and the threat of a recession, have led millions of Americans to re-evaluate their retirement plans. New research from the Nationwide Retirement Institute® shows that two-thirds of Americans (66%) say they worry more now than they did before about their retirement income— that's a 10-point increase from 2021!

In volatile moments like we're experiencing, it's easy to make emotional decisions with lifelong implications. Unfortunately, misconceptions about Social Security, which forms the foundation of almost every American's retirement income strategy, are all too common, according to the survey. The good news is with the right advice from a trusted financial professional, you can avoid unintended consequences that may come with an uninformed decision.

What People Are Getting Wrong About Social Security

About half (49%) of consumers believe if they file for Social Security early, their benefit will automatically go up once they reach their full retirement age — it won't. A sizable number of boomers (39%) who are not currently receiving Social Security plan on drawing from their benefits before their full retirement age, a decision that may cost them in the long run and should only be done with eyes wide open about implications for the future.

Misperceptions like this could make a huge difference in maximizing your retirement income. That's why I think it's important that even the savviest retirement savers should involve an adviser or financial professional in their Social Security decision-making process.

While 91% of survey respondents said they're at least somewhat confident in their Social Security knowledge, only 7% could identify the factors that determine a maximum benefit, including:

- **Work history.** Your benefits are based on average indexed monthly earnings during the 35 years in which you earned the most.
- **Age.** While you can start receiving benefits as early as age 62, you are not entitled to your full benefit until you reach your full retirement age, which varies based on birth year, and to get the maximum benefit you would have to wait until age 70.
- **Benefit break-even age.** If you begin receiving benefits before your full retirement age, you'll receive a smaller benefit for a longer period; if you wait until your full retirement age or later, you'll receive a larger monthly benefit for a shorter period. For those who wait to take benefits, if you live long enough, there comes a point when your total benefits will surpass the total you'd get by starting them earlier. That's the Social Security break-even age.
- **Marital status.** The maximum individual retirement benefit is based on the worker's 35 highest years of earnings subject to Social Security taxes. Both spouses in a married couple may be eligible to receive the maximum individual retirement benefit, depending on their individual earnings history. In 2022, the maximum monthly benefit ranges from \$2,364 for those retiring at 62, to \$4,194 for those who wait until 70. It's also worth noting that deciding to take benefits early can have massive implications for surviving spouses. When a spouse claims before full retirement age (FRA), they are potentially locking in a lower survivor's benefit for the other spouse.

Almost half of adults (49%) don't know or aren't sure what percentage of their income is or will be replaced in retirement by Social Security. That makes it hard to build a plan to help ensure your income in retirement will be enough to help you maintain the standard of living you may expect.

A Little Help Goes a Long Way

A financial professional can help you estimate the income you'll receive from Social Security and identify additional income sources to either supplement your Social Security benefits or provide income that allows you to delay claiming until full retirement age. This could include potential solutions like annuities, life insurance, mutual funds or exchange-traded funds (ETFs).

There was one widely held misconception from our survey that may come as good news to many retirement savers – particularly at a time when inflation is top of mind for almost everyone. More than two-thirds of Americans don't realize that Social Security is protected against inflation. Recent estimates say the cost-of-living adjustment (COLA) in 2023 could reach 10.5% or higher, providing a potentially crucial buffer for many against rising interest rates and decades-high inflation.

With financial news headlines continuing to provide daily reminders that few of us are on a straight line to retirement security, remember that you don't have to navigate this challenging landscape on your own. Working with a trusted and qualified financial professional can help you feel more informed, prepared and secure in making the best decisions for your unique circumstances.

NYSUT NOTE: Put your mind at ease and start working with a trusted financial professional through the NYSUT Member Benefits Corporation-endorsed Financial Counseling Program. This program offers members access to a team of Certified Financial Planners® and Registered Investment Advisors who can help you create a customized plan for your current situation. Get your Social Security questions answered and more by [visiting the website](#) today.

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Kristi Martin Rodriguez currently serves as Senior Vice President of the Nationwide Retirement Institute® for Nationwide Financial, leading the teams responsible for advocating for and educating members, partners and industry leaders on issues impacting their ability to have a secure financial future. She was a founding member of the Ohio chapter of The National Association of Securities Professionals (NASP), an organization helping people of color and women achieve inclusion in the industry.

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