INSPIRE WEALTH
INSPIRE YOUR TODAY PLAN YOUR TOMORROW

The 5 Ways To Maximize Your Retirement Income From Social Security

Forbes

David Rae, Contributor
Dec. 9, 2021

When I talk to my financial planning clients about their Social Security benefits, they always have a lot of questions. These range from “When is the best time to take Social Security?” “How Can I maximize my Social Security benefits?” “ Are Social Security Benefits taxable? ” “Can you help me choose the best time to start receiving Social Security?” The list of Social Security questions goes on and on.

Many retirees would face a retirement living in poverty without Social Security. We share 5 ways to maximize your Social Security benefits./Getty Images

A good financial planner should be able to help you answer your various Social Security questions and find the right time for you to claim Social Security benefits.

Sadly, many Americans enter retirement with no plan to maximize their Social Security benefits . Many have no idea how much they will get from Social Security or when the best time to claim benefits would be based on their personal financial needs. Even more shocking to me is how few financial advisors are willing and/or able to help their clients with the litany of questions around Social Security benefits.

1. Get Your Estimated Social Security Benefits

You want to build your Social Security roadmap with accurate information. The best way to do this is to get your Social Security estimation of benefits. You can register for free access to your free Social Security Administration (SSA) estimate on the Social Security website .

Your Social Security estimate can give you a baseline of what your benefits could look like at various ages. Most importantly, as it stands today, in 2021, 62 years old is the earliest age you can claim Social Security, 67 is full retirement age, and age 70 is the latest you can claim Social Security.

Nick Bour, CLTC®,NSSA®
Founder & CEO
Inspire Wealth

Office : 810-226-0477
Cell : 586-855-2106
Direct : 810-377-8102
nick@inspirewealthnow.com
inspireyourretirement.com

Book a Call

2. Work Longer and Claim Social Security Later

Working longer is often the first and most important step to maximize your Social Security income in retirement. Firstly, the later you claim Social Security, the larger your monthly payment will be. Secondly, working longer allows you to potentially replace years with lower incomes with your current higher income, thereby increasing your Social Security calculated benefits.

In case you were wondering, Social Security benefits are calculated based on your top 35 years of working and paying into Social Security. For those who haven't worked for that amount of time, when reaching retirement age, you will see zero Social Security credit for years not worked, which can reduce your eventual retirement income from Social Security.

3. Increase Your Income While Working

Earning more will increase the amount of Social Security you will receive in retirement. Simply put, the more money you make, the more you pay into the Social Security system; the more you pay in, the more you should receive in benefits. Increased income will only help up to a certain point.

For 2021, you will only owe Social Security taxes on your first $142,800 of income. This will increase to $147,000 in 2022, thanks to inflation.

If you earned the maximum income subject to Social Security payroll taxes for your top working years and then waited until age 70 to claim Social Security benefits, your maximum 2021 monthly payout would be just $3,895. This maximum Social Security number should continue to increase each year, helping the younger readers of this article.

Another way working longer and earning more income helps maximize your Social Security benefits indirectly is the increased ability and time to save for retirement. Think making contributions to a 401(k), or if you are self-employed, even a Cash Balance Plan. The later you choose to retire, the longer these assets must benefit from compound interest.

4. Delay Claiming Social Security Benefits

You don't need to claim Social Security the same year you retire. For those with other retirement accounts or sources of retirement income, you can retire and then claim Social Security later.

You can only delay taking Social Security until age 70. Even if you are still working full-time, you will be required to begin taking Social Security retirement benefits. If this is you, you may want to consider supercharging your 401(k) contributions using your Social Security benefits to make the maximum contribution each year.

5. Work With a Real Financial Planner

Few Americans put in the effort to get professional financial planning guidance to make the optimal Social Security elections. This means many are leaving thousands of dollars on the table in missed Social Security benefits over their lifetimes.

For proactive help with determining how to claim Social Security benefits, a wise decision could be to work with a fiduciary financial planner who specializes in how to claim Social Security benefits especially if you dislike dealing with this type of thing or have a complicated financial situation.

I must remind you that Social Security Administration employees are not allowed to give specific advice.

You've worked hard for decades to accumulate your potential Social Security benefits; don't you owe it to yourself to ensure you are doing everything needed to maximize your Social Security income over your lifetime?

By David Rae, Contributor

© 2022 Forbes Media LLC. All Rights Reserved

This Forbes article was legally licensed through AdvisorStream.