Social Security Explained: Maximizing Your Retirement Benefits

Whether your retirement is coming up or still decades away, it's essential to understand your benefits and when to access them

Even though Social Security enjoys broad popularity among the American public, relatively few appear to fully understand what it means for their retirement.

A 2024 study from the National Institute on Retirement Security, for example, found that just 11% of working Americans know the exact amount of monthly income they could expect from Social Security—and only 13% understand how taking Social Security early impacts the amount of their monthly benefit.

These statistics are concerning, since Social Security makes up around 40% of the average retiree's income. Thankfully, understanding your projected Social Security retirement benefits is easy. The Social Security Administration provides detailed, personalized statements that you can download instantly.

Here's how it works, what to look out for, and how to incorporate this information into your retirement planning—no matter how far off your retirement may be.

Reading Your Social Security Statement

To access your personal statement, sign into your account here. If you don't already have an account, you'll need to make one. Once you're logged in, you can download your statement.

The retirement benefits information appears at the very top of the document. This includes your retirement age, which ranges from 65–67 based on when you were born, along with an available monthly benefit that varies depending on whether you start receiving benefits at 62, known as early retirement, or 70, the latest retirement age available.

Your benefit number is derived from your highest 35 years of earnings, with a minimum of 10 years of work needed to qualify. Remember, this is a benefit you've been paying for over the course of your working life. As of 2025, you pay 6.2% of your annual W2 salary (up to $176,100)—or 12.4% if you're self-employed—into Social Security.

Crucially, the estimate in your statement assumes you will continue to earn the same amount of money you are currently making until you start your benefits. Be sure to account for any anticipated decreases in income when planning for the future.

The statement also includes a wealth of information about other Social Security uses, including disability benefits, survivors' benefits, and Medicare, along with retirement planning resources.

How to Maximize Your Social Security Retirement Benefits

With this information in hand, you can weigh when to start using your benefits—a decision that can have a significant impact on the amount of money you receive each month.

The basic rule is that the longer you wait to start receiving your Social Security, the more money you will collect each month *for the rest of your life*. The degree to which your monthly benefit amount increases over time will change each year, usually between 7-9%, **annually**. The best-case scenario is to only start receiving your benefit after your retirement age and when you're no longer working. However, your decision to start receiving benefits will be influenced by many factors, such as your family's needs, your lifestyle, your life expectancy, and your ability to continue working.

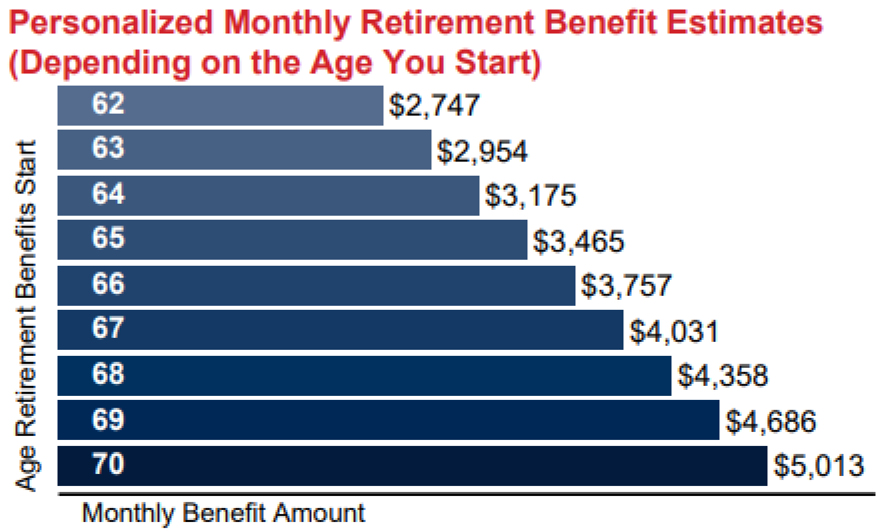
If you need the benefit to cover your expenses, for instance, it may make sense to start as early as possible, at age 62. This is especially true if you no longer work and/or your other income streams are passive, since this means your Social Security benefit won't be subject to income taxes or reductions. But there could be serious penalties: If you take your benefit before your full retirement age and are making more than $23,400, your benefit will be reduced by half over that threshold, and that's before you even account for potential income taxes. While there are ways to potentially make up this amount when you reach your full retirement age, it's a complicated process that you should consider carefully before pursuing.

If you're still working and take your benefit before your full retirement age, your Social Security could be significantly reduced by income taxes. Half of the benefit for married taxpayers filing jointly with earnings above $32,000 and single taxpayers making more than $25,000 are subject to income taxes. This taxable share increases to a whopping 85% for married taxpayers earning more than $44,000, single taxpayers making at least $34,000, and married taxpayers filing separately and living together making any amount.

Case Study: Making Your Retirement Age Count

Take 55-year-old John Smith, who is still working as a primary care doctor and has enough savings and income to meet his financial needs. According to his benefit statement, if he retires and starts receiving Social Security benefits at age 62, he will see $2747 each month; if he's still working, that number will be lower due to income taxes.

Alternatively, if he only starts receiving benefits at 70 when he's fully retired, he will enjoy nearly double that amount, or $5013 every month.



But what if John wants to retire somewhere in the middle?

If you look at the increase in his projected benefits for each additional year he waits, you see that there's a 9.1% jump in the value he receives at age 65 compared to 64. Yet there's only a 7% increase between ages 69 and 70. If a significant boost in value is just around the corner, it may make more sense for John to wait until his 65th birthday to start receiving his benefit, instead of starting at 64.

That is, unless he can get a better return by *investing* his Social Security benefit. Hypothetically, if John believes that he can outperform the income benefit, it might make more sense for him to consider taking the benefit earlier..

Financial need aside, it's also important for John to consider the age at which he'll maximize his Social Security benefits given his health, family history and overall life expectancy. If all signs point to his living to 83 or older, for instance, he will see more Social Security money over his lifetime if he waits to start receiving his benefit until age 70. On the other hand, if his health is declining and he is unlikely to live past 75, he'll make the most money if he takes retirement early at 62. A financial advisor can work with John on this complex "maximization age" analysis, especially if he's married and his spouse's life expectancy needs to be considered too.

The Catch: Social Security's Uncertain Future

There's an important caveat when it comes to Social Security: There isn't enough money to last forever.

The Old Age and Survivors Income Trust Fund—the account used to hold and distribute the funds for Social Security—only has enough to pay full benefits through 2035. Absent government intervention, recipients will only receive a percentage of their scheduled benefits after that point.

And this doesn't account for the disruptions said to be now roiling the Social Security Administration, from staffing cuts and new anti-fraud measures to a potential temporary shutdown. The unfortunate reality is that Social Security—a financial lifeline for millions of Americans—will have to withstand a number of challenges ahead.

With this in mind, it's important to work with a financial advisor to help you create a plan tailored to your needs. Especially if your retirement is more than a decade away, consider creating a retirement strategy that does not include any Social Security income. This could mean leveraging annuities to guarantee an income stream, or even buying a life insurance policy to ensure financial resources will be there for your partner after you're gone.

The bottom line? Understanding your Social Security benefits is key to a successful retirement. But in today's day and age, Social Security should not be your *only* financial security.

Book an appointment to learn more and discuss your specific retirement planning needs: https://calendly.com/stephen-dunbar/consultation?month=2025-04.