



COMMON SOCIAL SECURITY MYTHS

Debunking Some Common Misconceptions

Social Security is a federal insurance program that provides benefits to retired people and those who are unemployed or disabled. While simple in its goals, Social Security can be difficult to navigate, causing stress and confusion for many retirees. Here, we debunk some of the common myths and misconceptions surrounding Social Security, with a goal of providing clarity to help navigate the program's various benefits.



Myth #1 – Medicare and Social Security begin at the same time.

While both Medicare and Social Security benefits become available around retirement age, they remain separate programs. As long as an individual has worked in the United States for at least 10 years, he or she becomes eligible for Medicare at age 65. On the other hand, individuals are eligible to begin receiving Social Security benefits between the ages of 62 and 70. For most people, the optimal timing is to begin receiving Social Security benefits at full retirement age (66 or 67) or later. Therefore, while it is possible to begin both programs at the same time, beginning one does not immediately launch the other.

Myth #2 – I will receive more money if I start taking benefits early.

Individuals almost always receive more money when they wait until full retirement age or later to begin receiving Social Security benefits, as taking payments early permanently reduces Social Security benefits. In fact, benefits can increase by eight percent each year from age 66 to age 70, which means that retirees with a normal retirement age of 66 have the potential to receive 132 percent of their normal benefit by waiting until age 70 to begin drawing Social Security.

Unfortunately, according to a report by the Center for Retirement Research at Boston College, 90 percent of Americans begin collecting Social Security retirement benefits at or before their full retirement age.¹ An individual who lives to age 80 is better off if he or she had waited until full retirement age or later to receive Social Security benefits. As healthcare services continue to improve and people live longer, they will likely receive more benefit from delaying withdrawals from Social Security.



¹http://crr.bc.edu/wp-content/uploads/2015/05/IB_15-8.pdf

Myth #3 – Social Security won't be around when I retire.

People have been predicting the end of Social Security ever since its inception. Without any changes, Social Security's reserves hold enough funds to pay 100 percent of benefits until 2034. At that point, recipients will likely still receive 75 percent of their current benefits.

Myth #4 – I will be able to rely on Social Security for my retirement.

While Social Security will likely still be around, it cannot be the sole provider of retirement income. Social Security has always been intended to supplement, not replace, retirement savings. Even for individuals living frugally, Social Security benefits will not be enough to cover any number of events that could occur in retirement, such as unexpected medical bills or housing repairs. Social Security benefits should be viewed as the icing on the cake of other qualified and nonqualified retirement savings vehicles.

Myth #5 – I won't receive Social Security benefits because I've never worked outside of the home.

Even if you've never worked outside the home, if you are married to a spouse who has worked outside the home, you may receive up to half the amount of your spouse's benefit at retirement, without decreasing your spouse's benefit.

If utilized at the right time and with the right approach, Social Security benefits can be an important component of a well-built retirement strategy. However, it's important to understand how timing and eligibility considerations may impact your specific situation and objectives. Your wealth advisor can evaluate your Social Security options as part of your overall retirement strategy to help ensure you get the most out of your retirement benefits.

Sources:

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