# How to Approach Social Security in Your Retirement Plan

## Understanding Social Security's place in a broader plan

For most people, Social Security benefits will form one part of their retirement income. But the rules around when to claim, how spousal benefits work, and what happens if you keep working can feel confusing. The decisions you make about Social Security can affect your monthly income for decades, so it pays to understand how the system works before you file.

Many people assume they should claim benefits as soon as they become eligible at age 62. That choice reduces your monthly payment permanently. Waiting longer, up to age 70, increases your benefit for life. The right choice depends on your health, your other savings, your marital status, and how long you expect to live. There is no single best age for everyone.

## How your benefit is calculated

Social Security uses your 35 highest-earning years to calculate your primary insurance amount, or PIA. That is the benefit you receive at your full retirement age, which is between 66 and 67 depending on your birth year. If you have fewer than 35 years of earnings, zeros are averaged in, which can lower your payment.

Your earnings are adjusted for historical wage growth before the calculation. That means years when you earned more can have an outsized effect. If you are still working and earning more than in some earlier years, replacing a low-earning year with a higher one could raise your benefit. Checking your Social Security statement each year helps you see where you stand.

## Claiming early or waiting longer

Claiming at 62 reduces your benefit by about 30 percent compared with full retirement age. Each year you delay past full retirement age adds roughly 8 percent to your benefit, up to age 70. For someone with average life expectancy, waiting often produces more lifetime income. But if you have health concerns or need the money sooner, claiming early might be the practical choice.

The decision also affects survivors. If you are married, the higher earner's benefit determines what the surviving spouse receives. Delaying the higher earner's claim can provide a larger survivor benefit for the rest of the surviving spouse's life. That can be a valuable form of insurance, especially if one spouse is likely to outlive the other by many years.

## How spousal and survivor benefits work

A spouse can claim a benefit based on their own earnings record or up to 50 percent of the higher-earning spouse's benefit, whichever is larger. You must be married for at least one year, and the spouse claiming the spousal benefit must wait until their own full retirement age to receive the full 50 percent. Claiming spousal benefits earlier reduces them permanently.

Divorced spouses may also qualify if the marriage lasted at least ten years and they have not remarried. The rules for survivor benefits are different: a widow or widower can claim reduced survivor benefits as early as age 60, or wait until full retirement age for the full amount. Understanding who qualifies and when can prevent costly mistakes.

## Working while receiving benefits

If you claim Social Security before your full retirement age and keep working, your benefits may be reduced if you earn above a certain threshold. In 2025, the earnings limit is about $22,320 for those under full retirement age. For every $2 you earn above that limit, $1 is withheld from your benefits. Once you reach full retirement age, the earnings test no longer applies, and your benefit is recalculated to give you credit for the months that were withheld.

If you are planning to work in retirement, delaying your claim might make sense. You can also choose to suspend benefits at full retirement age and restart them later to earn delayed credits. That strategy can be useful if you start benefits early but later decide you do not need the income after all.

## Taxes on Social Security benefits

Up to 85 percent of your Social Security benefits may be subject to federal income tax, depending on your total income. The formula that determines how much is taxable is called the provisional income test. If you have significant income from pensions, retirement accounts, or part-time work, a larger share of your benefits could be taxed. Planning to minimize that tax impact can be part of your overall retirement strategy.

State taxes also vary. Some states exempt Social Security benefits from state income tax entirely, while others tax them partially. Where you live in retirement can affect how much of your benefit you keep.

## Social Security retirement planning within your full picture

Social Security retirement planning works best when you consider it alongside your other income sources. Your personal savings, pensions, part-time work, and any inheritances all interact with your claiming decision. A common approach is to delay Social Security while

drawing down other retirement accounts, especially if those accounts are tax-deferred and you want to reduce future required minimum distributions. But that strategy depends on having enough other assets to cover expenses in the gap years.

Your health and family history matter too. If you have a chronic condition or a family history of shorter life expectancy, claiming earlier may allow you to enjoy more years of benefits. If you are in good health and have longevity in your family, waiting could pay off.

Married couples face additional trade-offs. Coordinating two claiming strategies can produce thousands of dollars more in lifetime benefits compared with each spouse claiming independently. The higher earner often benefits most from delaying. The lower earner might claim earlier to provide household income while the larger benefit grows.

## Common mistakes to watch for

One common error is claiming benefits too early without understanding the permanent reduction. Another is forgetting that spousal benefits do not include delayed retirement credits. If you claim a spousal benefit at full retirement age, you get exactly half of the worker's benefit, not more. A third mistake is failing to account for the earnings test if you plan to work past 62. A fourth is ignoring survivor benefits when deciding the higher earner's claiming age. A fifth is not checking your Social Security statement for errors in earnings history. Those errors can reduce your benefit, and they can be corrected only with proof of past wages.

## Steps you can take now

Start by creating an account on the Social Security Administration's website. Review your earnings record for accuracy. If you find mistakes, gather old W-2 forms or tax returns and file a correction. Next, use the online calculators to estimate your benefit at different claiming ages. Compare those numbers with your expected expenses in retirement. Think about how long you expect to live and whether you have other income to cover the gap if you delay.

If you are married, talk with your spouse about both of your claiming strategies. Consider running several scenarios: both claim early, both wait, or one delays while the other claims. A few hours of planning now can lead to a more secure retirement later.

## When to revisit your plan

Your claiming decision does not have to be permanent until you file. If you claim early and regret it, you have 12 months to withdraw your application and repay all benefits received. After that, you can suspend benefits at full retirement age and earn delayed credits until age 70. Life changes such as divorce, the death of a spouse, or a change in your health or income also warrant a fresh look at your strategy.

Social Security rules can change, too. While major reforms are rare, cost-of-living adjustments and earnings limits are updated most years. Staying informed about those changes helps you adjust your plan if needed.

## Putting the pieces together

Social Security is one piece of a larger retirement puzzle. The best claiming strategy depends on your unique mix of savings, expenses, health, and goals. By understanding how the system works and thinking through your options carefully, you can make a choice that supports the retirement you want. The effort you put into Social Security retirement planning today can give you more confidence and financial flexibility in the years ahead.