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How Much Social Security Will You Get?

By www.ProfitableInvestingTips.com

For the great majority of retired Americans, monthly Social Security Checks are an important source of income. In fact, Social Security payments are a major or minor source of needed income for 89% of retirees. How much social security will you get depending upon when you retire? What other factors affect your social security payments? Are the cost of living increases for Social Security fair? And, will the Social Security Trust Fund run out of money? Retirees will make their own decisions that will affect their monthly checks and having a bit of information will help.

Social Security Taken At Age 62

Virtually all of the advice you will read regarding when to start taking social security payments has to do with how much you get per month. Start before your normal age of retirement of 65, 66, or 67 (depending on when you were born) and you will see an 8% reduction per year. If you need the money to live on and are unable to keep working, this advice is helpful. And, if you can work a few more years at a job that you love, you can get a bigger check, up to retiring at age 70.

When You Take Social Security Benefits vs How Long You Live

How much you get per month if you start at age 62 versus 66 or 67 is useful advice. But, in the end, how much money will you receive, total? It depends on the reduction of benefits and how long you live. The Social Security Administration has a [life expectancy table](#) that is useful in this regard. A man, aged 62 years, has a life expectancy of 20 years. Every year earlier than age 66 is about an 8% reduction in monthly payments. If he takes Social Security at age 62, he can expect to get 0.717 times the age 66 payment for twenty years. If he waits until age 66 he can expect to get that payment for 16 years.

Taking early payment will result in receiving 89% of what one would have received by waiting. On the other hand, by the time three years have passed, the “age 62” recipient will have had three years on payments before the “age 66” recipient has even started. It turns out that the person who takes Social Security at age 62 is ahead in total income for fourteen years and about two months and after that the “age 65” recipient starts pulling ahead. So, if you don’t really need Social Security right away and expect to live past age 76, you will receive more money by waiting.

Social Security Taken At Age 66

When Social Security began in 1935, men lived 59.9 years on the average and women lived 63.9 years. The system was set up to pay those who worked past these ages. Over the years average life expectancy went up and is 79 in 2020. And, if you have made it into your sixties, you have beaten all of the early causes of death and have, on the average, until your eighties. Social Security is a better deal for today’s workers because more

of us can expect to live to enjoy the benefits! Because of the cost of making payments to folks who live longer than the system was designed for and because of the lower percentage of younger workers paying into the system, Social Security has started to change. The first thing we have seen is the standard retirement age going up from 65 to 66 for those born after 1943 and age 67 for those born after 1960. The next issue will be if the Social Security Trust Fund runs out in a decade or so. That would be expected to reduce all payments by about a third. If you are really cynical, it could be a good reason to take early retirement!

Maximum Social Security Benefit

If you prefer to keep working past age 65, 66, or 67 you can increase your eventual Social Security payments until you reach age 70. First of all, you increase your eventual payments because you are paying more into the system. Second, you get about an 8% increase in monthly payments for each extra year worked. However, there are maximums that you can receive for retirement at any age. The most you can get in 2021 for retirement at age 70 is \$3,895 a month. The maximum for age 66 is \$3,113, and for age-62 retirement, it is \$2324.

COLA Increases in Social Security

Ever since 1973 Social Security payments have gone up slightly year in an attempt to compensate for inflation and the increased costs of living. The increase in December of 2020 for payments in 2021 is 1.3%. According to the Social Security Administration, [cost of living increases](#) are based on the CPI or Consumer Price Index for Urban Wage Earners and Clerical Workers known as the CPI-W. This index is calculated by the Bureau of Labor Statistics and updated monthly. The problem with using this index for retirees is that while it may accurately reflect the expenses of younger workers, it underestimates the costs of housing and health care for retirees. There is some talk that the Biden administration may seek to remedy this issue. And, if consumer prices do not increase, neither will there be an uptick in Social Security benefits.

Will Social Security Run Out Of Money?

So long as workers are paying into the system there will be [Social Security benefits](#) for retirees. The current value of the Social Security Trust Fund was \$2.9 Trillion at the end of 2019. Because the fund is now paying out more than it is taking in, it will get smaller over the years. At the current rate, the fund is expected to run out of money in 2035 at which time experts project that benefits will need to be cut to 79% of "normal." This situation arose in 1983 at which time congress enacted legislation to increase the payroll tax rate, up the ages for receiving full benefits, and beginning to tax benefits.

How Much Social Security Will I Get?

This, of course, is the question you need answered. And, it depends on when you choose to start taking benefits, how long you continue working, and how much money you contributed for how many years during your working life.

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