

10 Common Questions About Social Security

Americans can become eligible for full Social security benefits between ages of 65 and 67, depending on when they were born.

Recipients may take benefits as early as age 62, but their benefits will be permanently reduced.

Spouses are eligible for benefits, even if they never worked for pay.

1. When Am I Eligible For Social Security?

Depending on when you were born, you will be eligible for **full retirement benefits** as early as age 65 or as late as age 67.

- If you were born before 1938, your full, or “normal,” retirement age is 65.
- If you were born between 1938 and 1942, the age ranges from 65 and 2 months to 65 and 10 months.
- If you were born between 1943 and 1954, it’s 66.
- If you were born between 1955 and 1960, it ranges from 66 and 2 months to 66 and 10 months.
- If you were born in 1960 or later, the age is 67.

You can opt to receive early retirement Social Security as early as 62, but if you do your monthly benefits will be permanently reduced. For example, if you take benefits at 62, and your full retirement age is 66, your benefits will be reduced by 25%. Conversely, if you postpone taking benefits past your full retirement age, you will be rewarded with a higher benefit, up to age 70, when benefits max out and there are no further incentives to delay.

2. How is Eligibility Determined?

Your eligibility for Social Security is based on credits you earn during your working years. As of 2021, for every \$1,470 you earn, you earn one credit, up to a maximum of four per year. If you were born in 1929 or later, you need 40 credits-essentially 10 years of full-time work to receive Social Security benefits at retirement. “Once you have these minimum credits, your benefit is based on your highest 35 years of averaged earnings,” says Jonathan Wilt, a Certified Financial Planner at Heritage Advisory Group in Marlton, New Jersey. “If you only worked 20 years, you would have 15 years of zero income as part of the calculated average.” For workers who spent a significant number of unpaid years at home, caring for children or elderly family members, this formula creates a significant disadvantage.

There are special provisions that can change the formula if you had certain public service jobs. “For citizens who have government-sponsored pensions, like teachers, firefighters, police officers, or other public employees, there is a high probability that your Social Security benefits are reduced or even eliminated,” says Wilt.

3. How Much Do I Pay In?

As of 2021, workers pay 6.2% of their wages into Social Security, on up to \$142,800 of their income. Employers contribute another 6.2%. People who are self-employed must pay both portions or 12.4%

Note, you can collect Social Security retirement benefits even if you’re still working.

4. How Much Will I Get?

Those who have accumulated 40 credits can use the Retirement Estimator at ssa.gov to obtain a rough estimate of future benefits.

5. Can I Get Social Security If I Work?

Yes, you can receive Social Security benefits while you are still working. If you have reached full retirement age, you can work and earn as much as you would like and receive full benefits. If you are under full retirement age, but receiving Social Security, your benefits will be reduced temporarily.

The reduction is \$1 for every \$2 of earned income over \$18,960 (in 2021). During the year in which you reach full retirement age, your benefits will be reduced by \$1 for every \$3 in income over \$50,520 (in 2021). That continues until the month you become fully eligible.

The money is not lost, however. Social Security will credit it to your record when you reach full retirement age, resulting in a higher benefit.

6. How Does The Spousal Benefit Work?

The Bipartisan Budget Act of 2015 tightened some of the rules on spousal benefits, eliminating several strategies that couples once used to maximize how much they received.

However, spouses can still claim benefits regardless of whether they ever held paid jobs, based on their partner's record. To qualify, the spouse with a work record must already be receiving retirement or disability benefits, and the nonworking spouse must be at least age 62.

As with other Social Security benefits, spousal benefits are permanently reduced if the nonworking spouse starts to collect before reaching their own full retirement age. If the nonworking spouse waits until full retirement age, they will receive a spousal benefit of up to 50% of their partner's full retirement benefit.

Spouses who are widowed become eligible for 100% of their partner's full benefit unless they also had a job and the benefit they have earned through their own income is higher.

In some cases, divorced spouses are also eligible for spousal benefits based on their former spouse's record.

7. Do I Owe Taxes On Social Security?

You might, depending on your income. In 2021, couples who file a joint tax return and have a combined income between \$32,000 and \$44,000 will have to pay tax on up to 50% of their benefits. If their combined income is more than \$44,000, they will be taxed on up to 85% of their benefits.

For singles, those income thresholds are between \$25,000 and \$34,000 for 50%, and more than \$34,000 for 85%.

"Combined income" is your adjusted gross income plus any nontaxable interest and one half of your Social Security benefits.

8. How Do I Apply For Benefits?

You can apply for benefits at your local Social Security office, by telephone at (800) 772-1213, or online at [SSA.GOV](https://www.ssa.gov).

You will need to provide certain information and possibly some documents, such as a birth certificate. Social Security [Form SSA-1](#) has a complete list. Note that the Social Security Administration says to apply "no more than 4 months prior to the date you want your benefits to start."

9. How does Social Security Work?

Social Security is a pay-as-you-go system. Money paid in by current workers is used to pay the benefits for current retirees.

Any money that's left over goes into the Social Security Trust Fund, to be used in future years when current contributions aren't sufficient to cover all of the program's obligations. There are actually two Trust Funds: The Old Age and Survivors Insurance (OASI) Trust Fund, which pays retirement benefits, and the Disability Insurance (DI) Trust Fund. By law, the money in the trust funds is invested in U.S. Government securities.

10. Is Social Security In Trouble?

It is safe to say that the Social Security system faces some challenges. For example, the ratio of current workers to retirees is declining, meaning there are fewer workers paying into the system for every retiree who is drawing money out of it. In addition, people are living longer than when the program was envisioned in the 1930's, so they are collecting benefits for more years.

According to Social Security's trustees, starting in 2020 the retirement program's cost will begin to exceed its income. At that point it may have to start dipping into its nearly \$3 Trillion Dollar Trust Fund to make up the difference.

Under current projections, the program should be able to pay full benefits until 2035, when the trust fund will be depleted. After that, the program's income alone is expected to be enough to pay about three-quarters of the scheduled benefits until 2093.

As the Trustees point out in their 2019 report, "Lawmakers have a broad continuum of policy options that would close or reduce Social Security's long-term financing shortfall." Those might include raising the tax rate, increasing or doing away with the cap on how much of an individual's income can be taxed, further increasing the age at which retirees become eligible for benefits, or reducing the dollar amount of their benefits. Given the program's popularity and importance to millions of Americans and the millions of older Americans who have already paid into it for decades (and whose families might otherwise have to support them)- it's extremely unlikely that Congress would simply allow it to fail.