

Your 2019 Guide to Social Security Benefits

Here's everything Americans need to know about this ultra-important program.

Social Security is a vital source of income for millions of American retirees, as it makes up more than half of all income for the majority of retired households.

Unfortunately, Social Security isn't well-understood by many Americans. And by fully understanding the Social Security program, you'll be in a better position to maximize your benefits and make smart financial decisions for you and your family. With that in mind, whether you're already collecting Social Security benefits, approaching retirement age, or still in the middle of your career, here's a comprehensive guide to Social Security benefits in 2019.

Who is eligible for Social Security retirement benefits?

To qualify for Social Security retirement benefits, you'll need to earn 40 quarters of coverage, also known as Social Security "credits."

Here's how this works. In 2019, you can earn one credit by earning \$1,360 in Social Security-taxable income. This amount is adjusted annually to keep pace with inflation. In any given calendar year, you can earn up to four credits. So, to make a long story short, in order to qualify for retirement benefits based on your own work record, you'll typically need to earn the 2019 equivalent of \$5,440 for at least 10 calendar years.

How is Social Security calculated for retired workers?

If you qualify for retirement benefits based on your work record, here's a rundown of how the Social Security Administration (SSA) will determine your monthly Social Security benefit.

First, the SSA maintains a record of all of your annual earnings throughout your career, up to each year's [payroll tax cap](#), which is the maximum amount of earned income that's subject to the Social Security payroll tax. For 2019, the payroll tax cap is \$132,900, so this is the maximum amount of earned income from 2019 that will be considered when determining your retirement benefit.

Each year's earnings total is then indexed for inflation. Then the inflation-adjusted earnings from your 35 highest-earning years are added up and divided by 420 -- the number of months in 35 years -- to produce your average indexed monthly earnings, or AIME. If you have fewer than 35 years of Social Security-covered employment, then zeros will fill in for the missing years.

Your AIME is then plugged into a formula to determine your primary insurance amount, or PIA -- the initial monthly Social Security benefit you're entitled to collect at your full retirement age (more on that below).

For 2019, the Social Security benefit formula is:

- 90% of the first \$926 of AIME, plus...
- 32% of the amount of AIME greater than \$926 but less than \$5,583, plus...
- 15% of the amount of AIME greater than \$5,583

A couple of important notes on this formula. First, the percentages remain the same from year to year, but the two AIME thresholds (known as bend points) are adjusted annually.

The second note is *why* this is important to know. Your primary insurance amount will be calculated using whatever benefit formula is in effect during the calendar year in which you turn 62, *regardless of when you claim benefits*. In other words, if you turn 62 in 2019 but don't choose to start collecting Social Security until 2025, the SSA will still use the 2019 formula. To be clear, any earnings you may have after 2019 can still be factored in, and your PIA will be adjusted by any cost-of-living adjustments that occur between now and when you claim. If you turned 62 in a previous year, you can find a list of historical bend points on the SSA's website.

So this is how your initial retirement benefit is calculated, but only if you choose to start receiving Social Security at your full retirement age. Since the majority of Americans start Social Security before or after their full retirement age, let's take a look at what the term "full retirement age" means in the context of Social Security benefits and what it means to you.

What is your Social Security full retirement age?

American workers who are yet to claim Social Security have full retirement ages ranging from 66 to 67 years old, depending on when they were born. Here's a quick guide to help you find yours:

Year of Birth	Social Security Full Retirement Age
1943-1954	66 years
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months

Year of Birth	Social Security Full Retirement Age
1958	66 years, 8 months
1959	66 years, 10 months
1960 or later	67 years

When can you claim Social Security retirement benefits?

Even though you have a specific full retirement age, American workers who qualify for Social Security retirement benefits can choose to claim theirs at any time between the ages of 62 and 70. Well, technically you can wait as long as you want, but there's no reason to wait beyond age 70, as we're about to see.

If you choose to claim benefits before you reach full retirement age, your monthly benefit will be permanently reduced. On the other hand, if you choose to wait until after reaching full retirement age to start collecting Social Security, your monthly benefit will be permanently increased.

To be a little more specific, here are the three rules the SSA uses in combination with your calculated primary insurance amount to determine your initial Social Security benefit:

- If you claim Social Security before reaching full retirement age, but within 36 months, your benefit will be reduced by approximately 6.67% per year (about 0.56% per month) you're claiming early, for up to 36 months before full retirement age.
- If you claim Social Security more than 36 months prior to reaching your full retirement age, your benefit will be reduced by 20% plus an additional 5% for every year (about 0.42% per month) beyond 36 months prior to full retirement age, up until as early as age 62.
 - If you claim Social Security after reaching your full retirement age, your benefit will be increased by 8% for every year you choose to wait beyond your FRA (about 0.67% per month). However, the increases stop after you turn 70, which is why there's no reason to wait any longer than that.
- **How much does the average retiree get from Social Security?**
- The SSA estimates that the average retired worker will receive a benefit of \$1,461 in January 2019 after next year's 2.8% cost-of-living adjustment is applied.
- However, it's important to emphasize that Social Security benefits vary significantly based on how much recipients earn throughout their careers and when they choose to file. Some retirees receive far less than the average, while others get much more.
- On that note, the maximum Social Security benefit payable to someone filing at full retirement age in 2019 will be \$2,861 per month. Of course, this could be

even greater for high earners who choose to delay claiming their benefit. Someone entitled to this maximum benefit at full retirement age in 2019 would get about \$3,770 per month if they waited until age 70 -- plus any cost-of-living adjustments that occur in the interim.

- **Social Security spousal benefits**

- Many Americans don't realize there's quite a bit more to Social Security than just monthly benefits for retired workers. Married individuals who haven't worked, or who earned much less than their spouse, may qualify for retirement income through spousal benefits.
- There's a lot more to spousal benefits than can be explained in just a few paragraphs, but the short version is that if one spouse's primary insurance amount is less than half of the other spouse's, a spousal benefit can kick in to bring it up to one-half the higher earner's benefit.
- As a quick example, let's say that you're entitled to a Social Security benefit of \$1,800 per month at your full retirement age, but your spouse was primarily a stay-at-home parent and doesn't qualify for a Social Security benefit based on their own work record. In this case, a spousal benefit could give them \$900 in monthly retirement income if they started collecting at full retirement age.
- As with benefits for retired workers, Social Security spousal benefits will be permanently reduced if claimed before the recipient reaches full retirement age (regardless of the age of the worker whose record is being considered). However, an important distinction is that the reduction percentages are slightly different for spousal benefits. Specifically, spousal benefits will be reduced for early claimers based on these two rules:
 - A spousal benefit is reduced by 25/36 of 1% per month for each month before normal retirement age, up to 36 months.
 - A spousal benefit is further reduced by 5/12 of 1% per month beyond 36 months. This part of the reduction formula is the same as for regular Social Security benefits, and as with regular benefits, the earliest a spousal benefit can be claimed is age 62.

A condition of receiving a spousal benefit is that the primary earner must have claimed their own benefit and must currently be collecting it. So even if you reach full retirement age, you can't collect a benefit based on your spouse's work record until they start collecting their retirement benefit.

Can you collect Social Security retirement benefits if you're still working?

The short answer is yes. You are free to claim Social Security at any time after you reach age 62, regardless of your employment status. However, if you haven't reached full retirement age, then some or all of your benefits will be withheld if your earnings exceed a certain threshold.

This is known as the Social Security earnings test, and it effectively groups working Social Security beneficiaries into three categories:

1. Those who will reach full retirement age after 2019. The most restrictive form of the earnings test applies to this group. One dollar in benefits will be withheld for every \$2 earned in excess of the current threshold.
2. Those who will reach full retirement age during 2019. This group is subject to a much looser earnings test, and only in the months prior to the month in which they'll reach full retirement age. For this group, one dollar of benefits will be withheld for every \$3 earned in excess of a much higher threshold than the first group.
3. Those who have already reached full retirement age. Beneficiaries in this group are not subject to the Social Security earnings test. They are free to collect their entire Social Security benefit regardless of how much they earn from working.

For 2019, the earnings test thresholds are:

Category	2019 Earnings Test Limit
You'll Reach Full Retirement Age After 2019	\$17,640 (\$1,470 per month)
You'll Reach Full Retirement Age During 2019	\$46,920 (\$3,910 per month)

Will your Social Security benefits increase every year?

Each year, the SSA evaluates inflation data and increases Social Security benefits for existing beneficiaries accordingly. Specifically, the SSA compares the year-over-year change in the Consumer Price Index for Urban Workers (CPI-W). When this inflation index rises, benefits are raised by the same amount for all Social Security recipients, starting with the January benefit payment.

For 2019, this cost-of-living adjustment or COLA, is 2.8%.

It's also worth mentioning that if there is no inflation in a given year, no COLA would be given. And if there is a drop in the CPI-W (i.e., deflation), then Social Security benefits won't go down; they'll simply stay the same.

If you die, your survivors could get Social Security benefits

Another Social Security program that isn't well-understood by many Americans is survivors benefits. That is, if you die, certain surviving members of your family could collect benefits based on your work record. You can read a [guide to survivors benefits](#) for more information, but here's a rundown of how much money certain survivors can get, expressed as a percentage of your benefit.

Relationship to You	Survivor Benefit (% of your primary insurance amount)
Your widow(er), who has reached full retirement age	100%
Your widow(er), who is at least 60 years old but hasn't yet reached full retirement age	71.5% - 99%
Your widow(er), who is aged 50-59 and disabled	71.5%
Your widow(er), who is caring for your child under age 16 or disabled	75%
Your qualifying child	75%
One of your parents	82.5%
Both of your parents	75% each

DATA SOURCE: SOCIAL SECURITY ADMINISTRATION (SSA).

Social Security disability benefits

Social Security also offers benefits to disabled workers through a program known as Social Security Disability Insurance, or SSDI. If the SSA has determined that you have a qualifying disability and that you've worked enough to qualify for benefits, you can get monthly Social Security income under this program.

Specifically, there are two tests a disabled individual needs to pass:

- The first is known as the "recent work test." This test tells you how much you must have worked in the years preceding your disability, depending on the age at which you became disabled.
- The second is called the "duration of work test," which tells you how much you must have worked altogether to qualify for disability benefits.

You can get an estimate of your hypothetical Social Security disability benefit by viewing your most recent Social Security statement, which I'll discuss in greater detail later in this article.

Social Security for children

So far we've discussed Social Security retirement benefits, spousal benefits, survivors benefits, and disability benefits. One of the other components to the Social Security program is benefits for children of retired workers.

Children who qualify can get as much as 50% of a retired worker's monthly retirement benefit. So, if you're entitled to a Social Security benefit of \$1,500 per month and have a qualifying child, they could get up to \$750 per month, while you continue to collect your full monthly benefit.

To qualify for benefits, your child must be unmarried and must fit into one of these three categories:

- Under 18 years of age
- No older than 19 *and* still enrolled in high school
- Disabled and any age, if the disability began before the child's 22nd birthday
 - Note that this is a relatively uncommon form of Social Security benefits. After all, most people who are 62 and older don't have young children. As of the latest available data, about 673,000 of all Social Security beneficiaries are children of retired workers -- that's approximately 1% of the total.
- **The Social Security family maximum**
- Between your own retirement benefits, spousal benefits, children's benefits, disability benefits, and survivors benefits, there are many scenarios where multiple people could be simultaneously drawing a Social Security benefit based on your work record.
- For example, if you retire and draw a benefit of \$2,000 per month at full retirement age, and you have a spouse who has never worked, they could also draw as much as \$1,000 per month. And if you have a 14-year old child, they would also be entitled to a benefit of \$1,000 based on the rules governing children's benefits.
- In situations like these, the SSA limits the total benefits that can be drawn based on a single person's work record. The formula for determining this limit is somewhat complex, but the short version is that the total benefits payable on your record at any given time cannot exceed 150%-180% of your full retirement benefit.
- In the event that the total calculated benefits exceed the allowable amount, the benefits for people other than the retired worker (such as survivors) will be reduced proportionally.
- **How to apply for Social Security in 2019**
- There are three ways to apply for Social Security benefits -- online, in person at your nearest Social Security office, and over the phone.

- The online application process at www.ssa.gov is by far the easiest and fastest method. The application should take about 15 minutes, and there's generally no further documentation required.
- Phone is the next easiest way, so if you're not comfortable with the online application process, it's a good alternative. Finally, applying in-person can be a good option if you'd like to have someone walk you through the process, but it's definitely not the fastest method. If you do decide to apply in person, the SSA strongly recommends making an appointment first, as wait times can be rather long.
- **What if you change your mind after applying for Social Security?**
- If you apply for Social Security benefits and regret your decision later on, there are two scenarios in which you can get a do-over.
 - First, if you started collecting benefits within the last 12 months, you have the option to withdraw your Social Security application and make it as if you had never applied at all. The major downside to doing this is that you'll have to return any benefits you've received already -- and if it's been nearly a year since your application date, this can be a substantial amount of money.
 - The other potential do-over is only possible if you've already reached full retirement age. If you've already reached full retirement age, regardless of how long you've been collecting benefits, you have the ability to suspend your benefits until a later date.
 - If you do this, you won't have to repay any benefits, and you'll accumulate delayed-retirement credits until you choose to restart your benefits, or until you reach age 70, at which time your benefit will restart automatically.
- **Your Social Security statement is a valuable tool**
- If you aren't collecting Social Security yet and want a good ballpark estimate of what your future retirement benefit might be, the best place to get it (aside from doing a lengthy calculation by hand) is on your annual Social Security statement.
- You can access your most recent Social Security statement at www.ssa.gov. You'll need to create a free my Social Security account if you haven't done so already.

It's a smart idea to check your statements regularly. In addition to your estimated benefit, you can find other valuable information such as:

- The potential effects of early or late retirement on your benefits.
- Your complete earnings record. Be sure to check this for accuracy, as earnings records contain errors more often than you might think.
- Eligibility for Medicare benefits.
- How much you could receive if you became disabled.
- How much your survivors could receive if you were to pass away.

Will Social Security be around for my entire retirement?

To be perfectly clear, there's no way of predicting with 100% accuracy what Social Security will look like in the future. There are simply too many ways the program could be modified by Congress over the years. Having said that, here's what we know as of now.

Social Security ended 2017 with nearly \$3 trillion in reserves, and it actually ran a modest surplus for the year. However, the program is forecast to start running at a deficit in 2018, and that deficit will get larger over the next few decades. *Because of this, Social Security will need to tap into its reserves to pay benefits, and that nearly \$3 trillion stockpile will be depleted in 2034, according to current projections.*

If this were to happen, Social Security's payroll taxes would still be enough to fund 77% of promised benefits, so an across-the-board reduction of 23% would be necessary at that point.

However, history tells us that something will be done before then. And virtually nobody on either end of the political spectrum is talking about cutting or drastically modifying Social Security for anyone who's close to retirement age now. So, despite the headlines you may have read about Social Security "going broke," Social Security will still be around when you are decades into retirement -- even if you're young now.