THE KELLY GROUP Est. 1997

<u>Your Small-Town Doctor of Financial Planning Says:</u>

Approach Social Security With Care

Few financial decisions come with as much noise and misinformation as when to claim Social Security. Some people hear they should take benefits early because "the system won't be there." Others hear they should always wait until age 70. The right answer is usually more personal. Social Security should not be reduced to a rumor, headline, or one-size-fits-all rule. It deserves careful planning and coordination with the rest of your retirement strategy.

Social Security does face real financial challenges. The 2026 Trustees Report projects that the combined trust funds can pay full scheduled benefits until the third quarter of 2034; after that, continuing income would cover 83% of scheduled benefits unless Congress acts. That is serious, but it does not mean benefits will disappear. It means Social Security should be treated as one part of a broader retirement-income plan.

Regardless of the system's long-term health, Social Security was never meant to replace all your income. The Social Security Administration (SSA) says benefits replace only a percentage of pre-retirement earnings: about 43% for a medium earner and about 28% for a maximum earner at full retirement age in 2026. Many advisers estimate retirees may need about 70% to 80% of pre-retirement income to live comfortably, so personal savings, pensions, and investment income remain essential.

Your benefit is based largely on your earnings history and claiming age. Social Security generally uses your highest 35 years of wage-indexed earnings, and your personal "my Social Security account" at ssa.gov is a useful place to review your earnings record and compare estimated benefits. You can generally claim as early as 62, but claiming before full retirement age—currently between 66 and 67, depending on your birth year—permanently reduces your monthly benefit. For those born in 1943 or later, delaying after full retirement age increases benefits by 8% per year, or two-thirds of 1% per month, up to age 70.

For couples, former spouses, and surviving spouses, the decision can be even more layered. A spousal benefit may be based on a current spouse's work record. A divorced-spouse benefit may be available based on a former spouse's record if the marriage and other rules qualify. A survivor benefit is different: it may provide income after a spouse or former spouse dies, and widows and widowers can generally claim as early as age 60. These rules are complicated, and people who do not understand them may miss benefits they could have claimed.

For example, if health, cash flow, and other resources support the choice, the higher-earning spouse may consider delaying benefits until age 70. That may increase the higher earner’s own benefit and help maximize the potential survivor benefit for the surviving spouse. In other cases, claiming earlier may be reasonable. Bigger is not automatically better. Better is what fits the plan.

That is why Social Security should be coordinated with IRA withdrawals, pensions, investment income, Medicare premiums, taxes, and your spouse’s income. How much guaranteed income do you need? How much flexibility do you want? Because the details can be complex, review your options with your financial advisor before you file.

At The Kelly Group, we help clients evaluate Social Security as part of a comprehensive financial plan, not as a stand-alone decision. Members of The Kelly Group also teach a Social Security course at Harford Community College; the next offering is October 7. Before making an irreversible claiming decision based on hearsay or fear, take time to review the facts, consider your circumstances, and make a decision grounded in thoughtful planning.

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