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What Retirees Might Not Know About Social Security



Social Security is a federal program in the United States that provides benefits in the form of retirement income and disability income to qualified people and their spouses, children, and survivors. Social Security benefits are so valuable because they provide 90% of the income for about 1 in 4 seniors and lifts roughly 4 in 10 seniors out of poverty. For a system that so many Americans rely on, it is not the easiest to understand, as there are many different nuances.

Here are a few things that many retirees may not know about Social Security:

You Can Undo a Social Security Benefits Claiming Decision

One of the most surprising things regarding Social Security that many current and future retirees are unaware of is the ability to withdraw your application within the first 12 months of claiming Social Security benefits. The Social Security Administration allows for a one-time do-over with respect to deciding when you begin receiving your benefits. As you can imagine, there are a host of reasons why someone may regret their decision to begin taking social security. Maybe you thought you had to take your benefits at age 62 and did not realize that if you wait, they will grow at roughly 8% per year from your full retirement age until age 70. Maybe you thought you were done working and then your dream job came along, available to you on a part-time basis, and you no longer needed your social security benefits. If you make this determination within 12 months of filing your initial application, you can stop receiving benefits and move forward as if you never claimed them in the first place. However, all benefits received need to be paid back to the Social Security Administration, including any spousal benefits received based on your record. When you do decide to claim your benefits at a later date, you will have benefited from waiting by receiving a higher amount.

You May Have to Pay Taxes on Social Security Benefits

We are all well aware that we spend our working years paying taxes into the Social Security Trust funds. What most people do not know is that their Social Security benefits may also be taxable to them once they begin collecting them. It does not take a lot of income for your benefits to be taxed. Social Security benefits lost their tax-free status in 1984. This is also the last time the income thresholds that trigger a tax on these benefits were increased. The income thresholds are as follows:

File a federal tax return as an “individual” and your combined income* is

- Between \$25,000 and \$34,000 – you may have to pay income tax on up to 50 percent of your benefits.
- More than \$34,000 – up to 85 percent of your benefits may be taxable.

File a joint return, and you and your spouse have a combined income* that is

- Between \$32,000 and \$44,000 – you may have to pay income tax on up to 50 percent of your benefits.
- More than \$44,000 – up to 85 percent of your benefits may be taxable.

In addition to paying federal income tax on your benefits, 12 states currently also levy a state income on Social Security benefits. These states include Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, Rhode Island, Utah, Vermont and West Virginia.



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