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# Are you maximizing the value of your Social Security benefits?

Re-think Social Security



This material should be regarded as educational informational on Social Security and is not intended to provide specific advice. If you have questions regarding your particular situation, you should contact the Social Security Administration and/or your legal or tax advisors.

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# When should you start receiving Social Security?

Many people think of Social Security as something the government “owes” them. After all, it’s partly a return of the money they paid into the system. However, this attitude may lead you to make the wrong decision about when to start your benefits. You’re more likely to think, “I want it as soon as possible.”

Let’s look at some of the issues that you should consider before making this decision.

## Think carefully about when to start receiving benefits

You’ve probably heard of recent changes that affect how you can file for your benefit. Because your claiming options are more limited, the factor that has the biggest impact on your benefit is the AGE at which you file. This will literally affect the retirement income you receive for the rest of your life.

There are three key ages to be aware of when considering Social Security benefits. The first is your “full” or “normal” retirement age (FRA), which depends on your birth year. For those born between 1943 and 1954, the FRA is 66. For those born in 1959, the FRA is 66 years and 10 months. Individuals born in 1960 or later have an FRA of 67.

### Full Retirement Age (FRA) by Year of Birth<sup>1</sup>

Year of Birth	Full Retirement Age	Year of Birth	Full Retirement Age
1937 or earlier	65	1955	66 and 2 months
1938	65 and 2 months	1956	66 and 4 months
1939	65 and 4 months	1957	66 and 6 months
1940	65 and 6 months	1958	66 and 8 months
1941	65 and 8 months	1959	66 and 10 months
1942	65 and 10 months	1960 and later	67
1943–1954	66		

Another significant age is 62, the earliest age at which you can start receiving benefits based on your own earnings record. Claiming Social Security benefits before your FRA results in a permanent reduction. For instance, claiming at 62 when your FRA is 67 reduces your benefit by 30%.<sup>2</sup> Delaying benefits until after your FRA, up to age 70, increases your monthly benefit.

If you file for any type of Social Security benefit before your FRA, you will receive a reduced monthly benefit. For example, if your FRA is 67, starting Social Security at 62 reduces your benefit by 30%.<sup>3</sup> This is a permanent reduction that will not be restored when you reach FRA. Moreover, it can reduce the monthly Social Security benefit your surviving spouse receives.

1. If you were born on January 1st of any year, you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and your full retirement age) as if your birthday was in the previous month.) Source: Social Security Administration, “Retirement Planner: Benefits by Year of Birth.” <https://www.ssa.gov/planners/retire/agereduction.html#chart>.

2. Source: Social Security Administration, Maximum Social Security Benefit: <https://www.ssa.gov/faqs/en/questions/KA-01897.html>.

3. Source: Social Security Administration, Quick Calculator: Early or Late Retirement (for individuals born in 1960 with a full retirement age of 67), available at: [https://www.ssa.gov/OACT/quickcalc/early\\_late.html](https://www.ssa.gov/OACT/quickcalc/early_late.html).

Age 70 is another important milestone for maximizing Social Security benefits. If you can afford to wait, there's a substantial payoff. For every 12 months past your full retirement age (FRA) that you delay starting Social Security, your benefit automatically increases by 8%. This is due to the Delayed Retirement Credit (DRC).<sup>3</sup> For instance, if your FRA is 67 and you delay benefits until age 70, your monthly benefit will increase by 24%. Your benefit will also be adjusted for any cost-of-living increases that occurred during the delay period. DRCs stop applying once you reach age 70.

The example below, generated in September 2025 using the "Quick Benefit Calculator" on the Social Security's Administration's website [www.ssa.gov](http://www.ssa.gov), may be helpful. For this example, we assume the individual was born on June 5, 1963, is currently still working, earning \$80,000 in current earnings covered by Social Security and has a future retirement date of June in the selected year. Additionally, the Quick Calculator assumes the individual works every year until benefits are received.

As you can see, for each year that this hypothetical individual postpones the start of Social Security, his/her monthly check increases by a meaningful amount.

It's essential to understand that claiming Social Security before your FRA has a permanent impact on your benefit amount. When you reach FRA, your monthly check won't jump up to the amount you would have received if you had waited.

### Hypothetical example:

Year of Birth	If You Start Benefits in June of	Age	First Year Estimated Monthly Benefit (In Inflated (Future) Dollars)	Full Retirement Age
1963	2025	62	\$2,831	67
1962	2026	63	\$3,141	66 and 10 months
1961	2027	64	\$3,492	66 and 8 months
1960	2028	65	\$3,943	66 and 6 months
1959	2029	66	\$4,418	66 and 4 months
<b>1958</b>	<b>2030</b>	<b>67</b>	<b>\$4,018</b>	<b>66 and 2 months</b>
<b>1957</b>	<b>2031</b>	<b>68</b>	<b>\$4,523</b>	<b>66</b>
1956	2032	69	\$5,068	66
1955	2033	70	\$5,648	66

In this example, waiting an extra year from age 67 to age 68 results in a 12.6% increase in the monthly benefit.

These are hypothetical estimates only, excluding taxes. Actual results will vary.

**Consider this:** What investment could you make today that would offer you what Social Security can provide: a federally sponsored program providing an inflation-adjusted stream of income that can last as long as you live?

# Determine the “value” of your Social Security benefit

Most Americans don’t fully appreciate the value of their Social Security benefit. That’s probably because we tend to think of it in terms of a *monthly* amount. In fact, it is a unique and valuable retirement income “*asset*.”

The example below illustrates how the age at which you start your benefit impacts the amount you receive. It also shows you how your monthly checks can add up over time. And, what it would cost if you had to replace the income stream created by your Social Security benefit. For most Americans, Social Security is an investment that they have been contributing to for all or most of their work life. It is actually a unique retirement income “*asset*.”

## Hypothetical example:

### Social Security Benefit Payment (For a Person Born June 5, 1960 Currently Earning \$80,000/Year)<sup>4</sup>

Begin Benefits	Estimated Monthly Benefit in Today’s Dollars <sup>5</sup>	If You Receive Social Security Benefits Until Age...	Estimated Total Benefits Paid to You <sup>6</sup>	Lump-Sum That Would Be Required at Retirement to Create a Stream of Payments Equal to Social Security Benefit <sup>7</sup>
62	\$2,831	80	\$542,016	\$342,111
		85	\$751,191	\$394,819
		90	\$994,351	\$446,127
		95	\$1,233,511	\$496,351
67 <sup>8</sup>	\$4,018	80	\$649,416	\$436,911
		85	\$914,288	\$513,271
		<b>90</b>	<b>\$1,229,492</b>	<b>\$569,652</b>
		95	\$1,544,696	\$626,033
70	\$5,108	80	\$670,742	\$549,319
		85	\$970,218	\$653,911
		90	\$1,324,851	\$718,158
		95	\$1,679,484	\$782,405

4. This chart is hypothetical and for illustrative purposes only; individual Social Security benefits will vary. Taxes have not been taken into account. Source: Franklin Templeton with data derived from the Social Security Administration, Quick Calculator on [ssa.gov](https://ssa.gov) website as of January 2025. For this example, we assume the individual has a birth date of 6/5/1960, is earning \$80,000/year in current earnings covered by Social Security and has a future retirement date of June in the selected year. Additionally, the Quick Calculator assumes the individual works every year until benefits are received.

5. Estimated monthly benefit assumes future increases in prices and earnings each year, through retirement year. Future increases are estimated using the national average wage index (AWI) under the intermediate assumptions in the 2025 OASDI Trustee’s Report: <https://www.ssa.gov/OACT/TR/2025/index.html>.

6. Estimated total benefits assume cost of living adjustment increases of 3% per year effective January of each year.

7. Calculated using the net present value of the monthly payments from Social Security as of January 2025. Hypothetical investment assumes a 5% (pre-tax) rate of return, compounded monthly and monthly withdrawals equal to the Social Security benefit payment.

8. FRA depends on birth year. See “Full Retirement Age (FRA) by Year of Birth” chart on inside cover panel.

For example, suppose your full retirement age (FRA) is 67 and that your benefit at that time will be \$4,018/month. Also, assume that you will collect checks until age 90, that annual cost-of-living adjustments will be 2.5%, and you could earn 5% pre-tax on investments.

To buy an annuity that would generate the same income you could receive from Social Security over this time frame, using the above example, you'd need approximately \$569,652 to replicate that stream of income.<sup>6</sup> Surely, if you had that amount sitting in an account, you would not treat that money casually. Instead, you would think long and hard about what to do with it. Your decision about when to start receiving Social Security benefits deserves the same amount of careful consideration.

## It's a personal decision

Of course, while postponing the start of Social Security will increase the size of your monthly benefit, not everyone can afford to wait. If you need the income, that's what Social Security is for. However, if you are married, you might have additional flexibility. In some cases it might be possible for one spouse to begin his/her benefit and for the other spouse to delay, which would result in a higher *joint* benefit. Your financial professional can help you determine the best strategy and suggests ways to generate additional income from other sources, such as part-time work, investments and retirement accounts.

### Did you know?

If you've earned enough credits to be eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 may also be eligible for Social Security benefits.

# Take care not to minimize your Social Security benefits

Here are steps you can take with your financial professional to determine your optimal age for collecting Social Security.

- 1 | Don't underestimate how long you are likely to live. In the past century, we have seen a tremendous increase in life expectancy in the developed world. Odds are, unless you have a serious medical condition, you will live a lot longer than you think. If you start your benefit too early, you are locking yourself into a lower retirement income for perhaps 30 years. Of course, the longer you live, the more inflation erodes the purchasing power of your money. That's why Social Security is so critical: For most retirees, it is the only source of retirement income that is adjusted to *keep up* with inflation.

## Probability of Living to...

Age 65 Today	50% Chance of Living to:	25% Chance of Living to:
Male <sup>9</sup>	83	89
Female <sup>9</sup>	86	92

- 2 | Don't forget about taxes. If your income exceeds certain limits, up to 85% of your Social Security may be subject to income tax. The instructions to IRS form 1040 include a worksheet that helps you determine how much of your Social Security income may be subject to income tax. Your financial professional and IRS Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, can provide you with more details.
- 3 | Consider your individual needs and situation. For example, if you're married, it might make sense for one spouse to start receiving benefits before their FRA and the other (probably the one entitled to the higher benefit) to wait. Franklin Templeton provides a third-party service provider's Social Security calculator that your financial professional can use to help you determine the best age for you (and your spouse, if married) to file for Social Security benefits. You can instantly see what your estimated benefit will be each month. Based on the assumptions that are used, it will also estimate how much retirement income you'll receive on an annual and cumulative basis so you can get a sense of what your retirement budget will look like.

<sup>9</sup> Source: US Department of Health and Human Services, National Vital Statistics Reports, Volume 73, Number 7, US Life Tables, 2025, Table 2: Life Expectancy at Selected Ages, by Race, Hispanic Origin, and Sex: United States, 2025, available at: <https://www.cdc.gov/nchs/products/nvsr.htm>.

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