

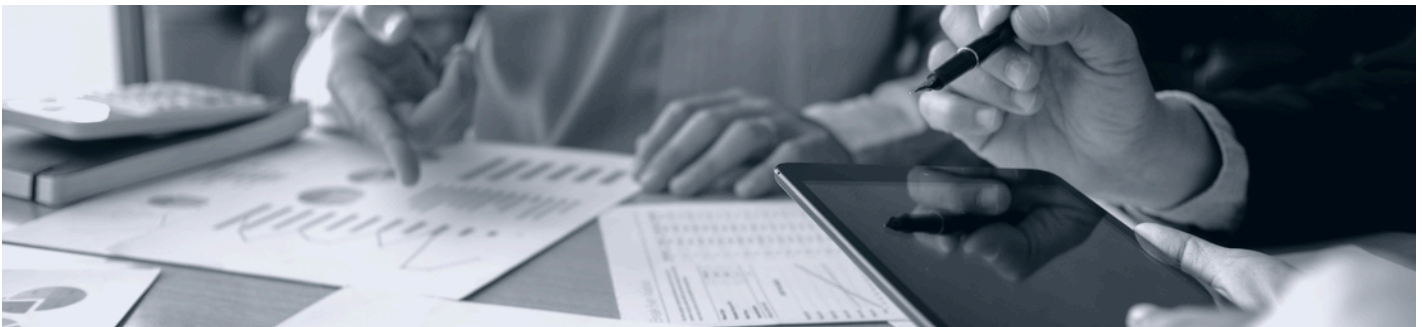
RETIREMENT PLANNING

Optimizing Your Social Security in Today's World



Social Security Could be a Crucial Component of Your Retirement Strategy

Many Americans rely on Social Security as an important source of retirement income, and even if you do not, deciding when to claim can have a meaningful effect on the benefits you receive. Social Security retirement benefits provide monthly payments based on your lifetime earnings, and the amount you receive can vary depending on when you claim.¹ Social Security was not intended to be a person's sole source of retirement income, but it can play an important role alongside personal savings, investments, pensions and other resources.² Understanding how your benefits work can help you make more informed decisions about when and how to claim.



The Future of Social Security

Social Security continues to face long-term financial pressures as program costs exceed income. According to the Social Security Trustees, current projections indicate that trust fund reserves will eventually be depleted if no legislative changes are made. However, depletion of the reserves would not mean Social Security benefits disappear. Most program income comes from payroll taxes paid by workers and employers, which would continue to provide funding for a substantial portion of scheduled benefits under current law.³

Social Security's financial outlook is reviewed each year, and projections can change as economic conditions, demographics, and other factors evolve. Congress may also make changes to the program over time. Because future benefits, taxes, and program rules may differ from those in place today, retirement planning may benefit from considering Social Security alongside

other potential sources of income rather than relying on any single projection or assumption.³

This makes understanding your Social Security options an important part of retirement planning. Social Security has historically replaced roughly 40% of pre-retirement earnings for an average worker, although actual replacement rates vary considerably based on lifetime earnings and individual circumstances.⁴ The age at which you claim can also affect your monthly benefit, with retirement benefits generally increasing the longer you wait to claim between age 62 and age 70.⁵

In this guide, we'll cover key Social Security rules, claiming considerations, and other factors that may help you evaluate how Social Security fits into your broader retirement strategy.

01

HOW ARE SOCIAL SECURITY BENEFITS CALCULATED?

Your Social Security retirement benefit is calculated by the Social Security Administration using your average indexed monthly earnings, or AIME, based on your 35 highest years of covered earnings.⁶ If a new year of earnings is higher than one of the years already included in your calculation, continuing to work may increase your benefit.⁶

It's important to regularly check your earnings record for accuracy, since your earnings history helps determine both your eligibility for benefits and the amount you may receive.⁷ The age at which you begin receiving benefits also affects your monthly payment. Claiming before your Full Retirement Age generally reduces your monthly benefit, while delaying benefits can increase it up to age 70.⁵ Social Security benefits may also receive cost-of-living adjustments and, depending on your income, may be subject to federal income tax.^{8,9}

“

It's important to regularly check your earnings record for accuracy, as your earnings are used to determine both your eligibility and benefit amount.”



02

WHAT'S YOUR FULL RETIREMENT AGE?

Although you can generally claim Social Security retirement benefits as early as age 62, your Full Retirement Age, or FRA, is based on your year of birth. FRA ranges from age 65 for people born in 1937 or earlier to age 67 for those born in 1960 or later. Claiming before your FRA generally reduces your monthly retirement benefit, while waiting beyond FRA can increase your benefit up to age 70.^{5 10} Use the Social Security Retirement Age Calculator or the chart below to find your FRA.¹⁰



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

**If you were born on January 1 of any year, refer to the previous year when determining your Full Retirement Age.¹⁰*

Claiming benefits before your Full Retirement Age generally results in a permanently reduced monthly benefit. If you delay claiming beyond your FRA, your monthly retirement benefit can continue to increase until age 70.⁵

03

YOUR BENEFIT AND INFLATION

Social Security benefits may receive an annual Cost-of-Living Adjustment, or COLA, based on changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers, or CPI-W.⁸ The adjustment is designed to help benefits keep pace with inflation, although the COLA can vary considerably from year to year and may not reflect each retiree's individual spending experience.⁸

Annual COLA	
January 2016	0.0%
January 2017	0.3%
January 2018	2.0%
January 2019	2.8%
January 2020	1.6%
January 2021	1.3%
January 2022	5.9%
January 2023	8.7%
January 2024	3.2%
January 2025	2.5%
January 2026	2.8%

COLAs are not guaranteed to increase every year. In some years, inflation has resulted in little or no adjustment, while other years have produced much larger increases.⁸ Because inflation can affect both Social Security benefits and everyday expenses differently, it is important to consider its long-term effects on Social Security as well as other sources of retirement income and savings.

The Special Minimum Primary Insurance Amount, or Special Minimum PIA, is an alternative benefit calculation designed for certain workers with long periods of relatively low earnings.¹¹ Eligibility generally requires at least 11 years of coverage, with the amount increasing based on additional years of coverage up to 30.¹¹ Because the applicable amounts are adjusted over time, the benefit available to an individual will depend on their work history and the rules in effect when benefits are paid.¹²

To understand how claiming age can affect Social Security retirement benefits, it may be helpful to look at examples for workers who consistently earned the maximum amount subject to Social Security taxes. Actual benefits vary based on an individual's earnings history, claiming age and year of retirement.¹³

The chart below shows maximum-benefit examples for workers beginning retirement benefits at different ages. These figures assume the worker earned the maximum taxable amount each year beginning at age 22 and should be updated as Social Security publishes new annual amounts.¹³



04

MAXIMUM TAXABLE EARNINGS

Employees generally pay a 6.2% Social Security tax on earnings up to an annual taxable maximum, with employers paying an additional 6.2%. Earnings above that limit are not subject to Social Security tax. The taxable maximum is adjusted over time based on changes in national average wages and is \$184,500 for 2026.¹⁴

If your earnings exceed the annual taxable maximum, Social Security tax generally applies only to earnings up to that limit. Earnings above the limit also are not included when calculating your Social Security benefit. Your eventual benefit is based on your earnings history and other factors, including when you claim benefits.^{6 14}



05

ACCESSING YOUR SOCIAL SECURITY STATEMENT

Your Social Security Statement is available online through a personal my Social Security account. Workers age 60 and older who do not have an online account and are not receiving Social Security benefits are generally mailed a paper Statement before their birthday.¹⁵

Make Sure Your Work Counts

It's important to review your earnings record regularly to make sure your reported earnings are accurate, since your earnings history is used to calculate future Social Security benefits.⁷ You can review your earnings history, estimated benefits, and other information through a personal My Social Security account. SSA recommends checking your Statement regularly and reporting any errors you find.¹⁵

06

ARE YOU PLANNING TO WORK IN RETIREMENT?

Many people choose or need to continue working after they begin receiving Social Security. Working can provide additional income and, in some cases, may increase future benefits if your latest earnings replace lower-earning years in your benefit calculation. However, if you receive Social Security before reaching your Full Retirement Age, earnings above an annual limit may temporarily reduce your benefits.¹⁶

If you are under your Full Retirement Age for the entire year, Social Security generally withholds \$1 in benefits for every \$2 you earn above the annual limit. In the year you reach Full Retirement Age, \$1 is withheld for every \$3 earned above a higher limit before the month you reach FRA. Beginning with the month you reach Full Retirement Age, your earnings no longer reduce your benefits.¹⁶



07

ARE YOU MARRIED? DIVORCED? WIDOWED?

If you are married, you may qualify for a Social Security spousal benefit based on your spouse's earnings record. Spousal benefits can generally begin at age 62, although claiming before your Full Retirement Age may permanently reduce the amount. At FRA, the benefit can be up to 50% of your spouse's primary insurance amount; delaying a spousal benefit beyond FRA does not increase that percentage.¹⁷

If you are divorced, you may qualify for benefits on a former spouse's record if you were married for at least 10 years, are generally age 62 or older and are unmarried. If your former spouse has not yet claimed benefits, you may still qualify if both of you are at least 62 and you have been divorced for at least two years. A former spouse's remarriage does not prevent you from qualifying.¹⁸

If you are widowed, survivor benefits may generally begin at age 60, or earlier in certain circumstances, and can increase if you wait to claim them. A surviving divorced spouse may also qualify if the marriage lasted at least 10 years. Remarrying after age 60 generally does not prevent you from receiving survivor benefits based on a deceased spouse's record.¹⁹



When to Claim Social Security: Understanding the Tradeoffs

Earning a Higher Monthly Benefit

Some people may choose to work longer or delay claiming Social Security to increase their monthly retirement benefit. Your benefit is based in part on your highest 35 years of earnings, so additional higher-earning years may replace lower-earning years in the calculation.⁶ If you delay claiming beyond your Full Retirement Age, your monthly benefit generally increases until age 70.^{5 20}



Claiming Early or On Time

Claiming Social Security earlier generally means receiving a smaller monthly benefit for a longer period, while delaying can result in a larger monthly benefit but fewer payments received initially.^{1 20} The effect of either approach depends on factors such as longevity, income needs, health, marital status, and other retirement resources. Because these factors vary, there is no single claiming age that is appropriate for everyone.

Deciding when to claim is a personal retirement-planning decision. Your earnings history, age, and claiming date help determine your Social Security benefit, while your broader financial circumstances may influence when those benefits are most useful to you.⁵ You can estimate how claiming earlier or later may affect your monthly benefit by using Social Security's Early or Late Retirement Calculator.²⁰

https://www.ssa.gov/OACT/quickcalc/early_late.html

Strategizing Social Security with Other Sources

Social Security is often one part of a broader retirement income strategy. Other potential income sources may include pensions, employer-sponsored retirement plans, IRAs, personal savings and investments, and insurance products. Defined benefit pensions generally provide a specified retirement benefit, while other retirement resources may depend on contributions, investment performance, and withdrawal decisions.²¹

IRAs and 401(k)s

401(k)s and other defined contribution plans allow employees and, in some cases, employers to contribute to individual retirement accounts. The amount ultimately available depends on contributions, investment gains or losses, fees, and withdrawals.²¹ IRAs can also provide tax-advantaged ways to save for retirement. Unlike a traditional defined benefit pension, these accounts generally do not promise a specific retirement benefit, so retirees must consider how savings, investment risk and withdrawals fit into their overall income strategy.²²



Annuities

An annuity is a contract with an insurance company that may provide tax-deferred growth, periodic income payments, or other benefits, depending on the contract.²³ Some annuities can provide income for a specified period or for life, while features, costs, risks, and withdrawal provisions vary considerably among products. Any guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.²³

Annuities may be used alongside Social Security and other retirement resources to help address certain income needs. Depending on the contract, income payments may begin immediately or at a future date and may continue for a specified period or for life.²³ Whether an annuity is appropriate depends on factors such as income needs, liquidity, costs, risk tolerance, and other assets, so the specific terms and tradeoffs of the contract should be carefully considered.

Let's Review Your Unique Options and Strategies

Social Security may play an important role in your retirement income strategy, but deciding when to claim can involve several considerations. Your earnings history, income needs, health, marital status, savings, and other retirement resources can all influence how Social Security fits into your broader financial plan.⁵

We invite you to meet with us to review your options and discuss how Social Security and your other retirement resources may work together as part of a strategy designed around your circumstances. Visit vestgen.com today.

Sources

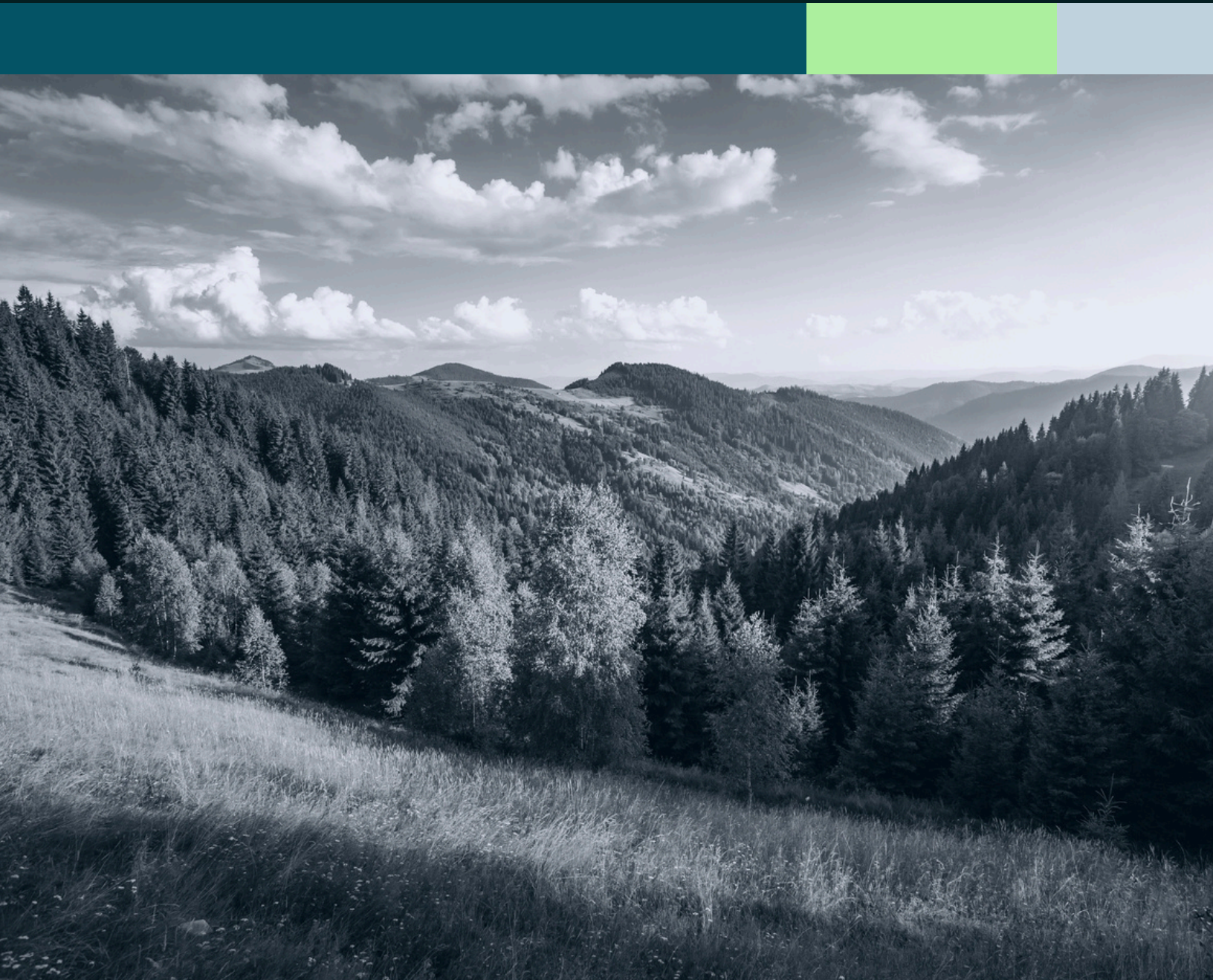
1. <https://www.ssa.gov/retirement>
2. <https://www.ssa.gov/pubs/marketing/fact-sheets/will-social-security-be-there-for-me.pdf>
3. <https://www.ssa.gov/OACT/TR/2026/>
4. <https://www.ssa.gov/policy/docs/ssb/v68n2/v68n2p1.html>
5. <https://www.ssa.gov/retirement/plan-for-retirement>
6. <https://www.ssa.gov/OACT/ProgData/retirebenefit1.html>
7. <https://www.ssa.gov/faqs/en/questions/KA-02603.html>
8. <https://www.ssa.gov/cola/>
9. <https://www.ssa.gov/faqs/en/questions/KA-02471.html>
10. <https://www.ssa.gov/benefits/retirement/planner/ageincrease.html>
11. <https://secure.ssa.gov/apps10/poms.nsf/lnx/0300605070>
12. <https://secure.ssa.gov/apps10/poms.nsf/lnx/0300640075>
13. <https://www.ssa.gov/faqs/en/questions/KA-01897.html>
14. <https://www.ssa.gov/oact/COLA/cbb.html>
15. <https://www.ssa.gov/myaccount/statement.html>
16. <https://www.ssa.gov/faqs/en/questions/KA-01921.html>
17. <https://www.ssa.gov/family/eligibility>
18. <https://www.ssa.gov/pubs/EN-05-10024.pdf>
19. <https://www.ssa.gov/survivor/eligibility>
20. https://www.ssa.gov/OACT/quickcalc/early_late.html



Advisory products and services offered through VestGen Advisors, LLC, a Registered Investment Advisor. Securities offered by Registered Representatives through Private Client Services, LLC, Member FINRA/SIPC. Private Client Services and VestGen Advisors are unaffiliated entities. VestGen Advisors and Private Client Services do not offer legal or tax advice, and information here should not be construed as such. Always consult a legal or tax professional regarding your specific situation.

vestgen.com

P (312) 237-4446 1 N Franklin St, Ste 1850, Chicago, IL 60606



Additional Disclosure

The sources used to prepare this material are believed to be true, accurate and reliable, but are not guaranteed. This information is provided as general information and is not intended to be specific financial guidance. Before you make any decisions regarding your personal financial situation, you should consult a financial or tax professional to discuss your individual circumstances and objectives.