

# Social Security Fast Facts



Created in 1935, Social Security is one of the most successful programs for American workers and their families. Roughly half of all workers and their spouses rely on Social Security to provide 50% or more of their income throughout retirement.<sup>1</sup>

Despite its broad popularity and high use, Social Security is often misunderstood. The language is tricky. The rules are complicated. It is easy for near-retirees to make mistakes when claiming their Social Security benefit.

Surprises are unwelcome.

## 1 Each worker’s benefit is calculated based on their own highest 35 years of earnings.

Years where they earned \$0 are included if not replaced with W-2 or self-employment earnings. Unemployment insurance is not considered wages.

## 2 When receiving a state or local pension, Social Security benefits are generally reduced.

The Windfall Elimination Provision (WEP) affects the worker’s benefits. GPO, the Government Pension Offset, reduces spousal and survivor benefits.

## 3 There’s no “bumping up” after claiming early.

Payments are permanently reduced — by as much as 30% — when claiming at 62. There is no bump up when a worker reaches Full Retirement Age. (Cost of living adjustments, COLAs, will apply, but on a lower base amount.)

## 4 Claiming early while still working often doesn’t mix well.

When claiming before Full Retirement Age, workers’ benefit payments are withheld if they earn more than the annual earnings limit. Benefits withheld will be paid back after FRA when Social Security recalculates benefits.

## 5 Medicare and Social Security are closely integrated.

Once a worker is enrolled in both Social Security and Medicare, Part B premiums, including additional premiums for high-income retirees, are automatically pulled from monthly Social Security checks.

## Keep in mind

**Social Security is a law.** Only Congress can shore up the program to improve solvency. Social Security provides critical income to nearly 50 million retirees, 6 million survivors, and 10 million disabled Americans.<sup>2</sup>

<sup>1</sup> Improving the Measurement of Retirement Income of the Aged Population, Irena Dushi and Brad Trenkamp, Social Security Office of Research, Evaluation, and Statistics, Jan 2021.

<sup>2</sup> The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. Published August 2021.

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