

YOUR 2025 OVERVIEW TO SOCIAL SECURITY

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Not affiliated with or approved, endorsed, or authorized by the Social Security Administration or any other government agency. This booklet is being provided as a supplement to the Social Security and insurance sales presentation titled “Strategies to Potentially Maximize Your Social Security Benefits.” It is intended as an overview on Social Security, not as a complete resource. Those seeking information on their particular situation are encouraged to contact the Social Security Administration and to contact their tax or legal professional.



How Does Social Security Work?

A financial safety net for older Americans, Social Security was established in 1935 by the Social Security Act. Before that, support for the elderly wasn't a federal concern - it mostly fell to states, towns, and, of course, families.

The program is based on contributions that workers make into the system. While employed, you pay into Social Security, and then you receive benefits when it's your turn to retire. Contributions take the form of the Federal Insurance Contributions Act (FICA) taxes that are withheld from most paychecks.

The following is a general overview of Social Security:

- Of the 15.3% paid on your behalf, 7.65% is paid by you, 7.65% is paid by your employer.
- You earn 1 credit for every \$1,470 in annual earnings, up to a maximum of 4 credits per year.
- Must work for at least 10 years; 40 credits are necessary to become eligible to receive benefits.
- The 2025 average monthly Social Security individual benefit is \$1,976, and for a couple, it is \$3,089
- The 2025 maximum Social Security benefit is \$4,018
- Your Social Security benefit is determined by your highest 35 years of earnings.
- In 2025, the maximum taxable income is \$176,100

[www.ssa.gov/news/press/factsheets/colafacts202 .pdf](http://www.ssa.gov/news/press/factsheets/colafacts202.pdf)

When Should You Apply For Social Security?

Although Social Security has been around for more than seven decades, most Americans admit they really don't have a basic understanding of the rules that affect the size of their retirement benefit. Deciding how to claim Social Security is arguably one of the largest financial decisions a person will make in his or her lifetime. Making a mistake could cost you hundreds and sometimes even thousands of dollars over your lifetime and impact your loved ones after you are gone.

There are calculators to help you examine benefits available to you at various ages and help you determine what strategy will fit best for your individual circumstances. It's a complicated decision and warrants careful consideration. This is one time when the help of a trusted financial professional could be invaluable.

*The decision you make regarding when to begin taking your Social Security benefits could potentially be even more important than in the past due to a new rule change implemented by the Social Security Administration. Effective December 8, 2010, a new time restraint has been placed for when individuals can "re do" their Social security Income election. Recipients now have only 12 months from the date they file their income application claim to make an election fix or "re-do".

**Source: <http://www.wealthcareforwomen.com/social-security-do-over-period-now-limited>*

Social Security Retirement Age

The age at which you can receive your full retirement benefit is called your full retirement age. Full retirement age determines when you can receive your full retirement benefit. If you choose to begin receiving retirement benefits earlier, your benefit will be a reduced percentage of the amount you would have received if you had waited. You can also receive an increased benefit by delaying further still until after your full retirement age.

Full Retirement Age

For a long time, full retirement age was fixed at 65 years. In a major overhaul designed to improve the solvency of the system back in 1983, Congress passed a law that increased the full retirement age for people born after 1937. The age in which you are eligible to receive full retirement benefits will depend on when you were born. The following table gives the full retirement age under current law:

Year of Birth	Full Retirement Age
1937 and 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
1958	66 and 10 months
1960 and later	67

Source for Full Retirement Age Chart- www.ssa.gov/retire2/retirechart.htm

Note: For purposes of this chart (both determining the year of birth and the month in which full retirement age is reached), people born on the first day of a month are treated as if they were born at the end of the preceding month.

Delayed Retirement

If you choose to delay receiving benefits beyond your full retirement age, your benefit will be increased by a certain percentage depending on the year you were born. The increase will be added in automatically each month from the time you reach full retirement age until you start taking benefits or reach age 70, whichever comes first.

Early Retirement

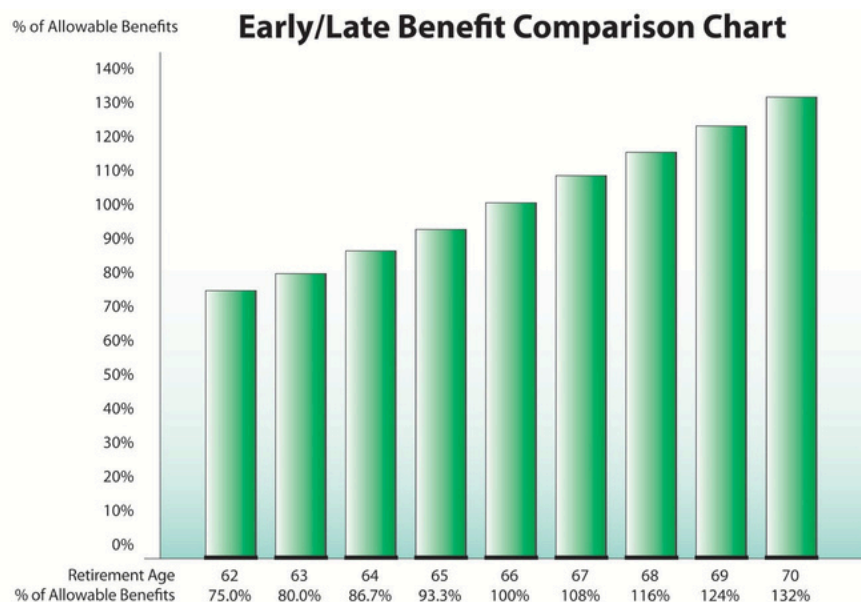
You may start receiving Social Security benefits as early as age 62, but by doing so, the amount of your benefits will be reduced by about one-half on one percent for each month you start your Social Security before reaching your full retirement age. For example, if your full retirement age is 66 and you sign up for Social Security when you are 62, you would only receive 75% of your full benefits. Depending on your lifespan, this decision could drastically reduce the amount of benefits you will be entitled to receive over your lifetime.

NOTE: The reduction will be greater in future years as the full retirement age increases.

In order to understand how Social Security benefits are calculated, you need to be familiar with two terms: “Full Retirement Age” (FRA) and “Primary Insurance Amount” (PIA). Your full retirement age depends on the year you were born. Your primary insurance amount is the amount of retirement benefits you would receive per month if you started taking them at your full retirement age and is determined by your earnings history.

www.ssa.gov/pubs/EN-05-10070.pdf

The chart below illustrates the amount of discount your PIA will incur as a result of taking benefits prior to reaching FRA, as well as the amount of premium will be added to your PIA if you elect to delay benefits after reaching FRA up to age 70.



Coordinated Sources for Early/Late Benefit Comparison Chart:

- www.ssa.gov/oact/ProgData/ar_drc.html
- www.ssa.gov/retire2/agereduction.htm#chart



Widows - Survivor Benefit

As a survivor, your benefit as a widow or widower can start any time between the age of 60 and full retirement age. If your benefits start at an earlier age, they will be reduced by a fraction of a percent for each month before full retirement age. If you are over full retirement age, your benefit will be 100% of your deceased spouse's benefit.

Bear in mind that if your deceased spouse elected early benefits, your benefits will be based on that reduced amount. Consequently, if they delay benefits to a later age (up to age 70), your benefit will be based on that increased amount. If you were both full retirement age at the time of death, you will receive the greater of either your benefit or 100% of your deceased spouse's benefit.

If you receive a widow's or widower's benefit and will qualify for retirement benefits that are more than your survivor's benefit, you can switch to your retirement benefit as early as age 62 or as late as age 70.

Note: Keep in mind that the maximum survivor's benefit is limited to what the worker would have received if they were still living.

Source- www.socialsecurity.gov/survivorplan/ifyou2.htm

Divorced Spouse Benefits

Prior to some recent law changes regarding Social Security claiming strategies, anyone divorced and married at least 10 years or longer could receive Social Security benefits on an ex-spouse's earnings record without it affecting them at all, even if he or she had remarried. After a two year period following a divorce, it was no longer necessary for an ex-spouse to have applied for their benefits for an individual to be eligible to receive benefits drawn on their earnings record. If remarriage occurred following a divorce, generally, a divorced individual could not collect benefits on an ex-spouse's earnings record unless the later marriage ended in death, divorce, or annulment.

Due to the passage of the Bipartisan Act of 2015, there are new law revisions for certain individuals regarding claiming strategies that previously allowed a divorced spouse to collect benefits from an ex-spouse. As a result, new rules now stipulate that unless a divorced individual who met all necessary criteria was born on or before January 1, 1954, they will no longer be eligible to receive their ex-spouse's benefits, allowing their own benefits to grow to a future higher benefit amount through delayed retirement credits.

Source- <https://www.ssa.gov/planners/retire/divspouse.html>

Taxation of Social Security Benefits

Due to tax amendments that were passed first in 1983 and again in 1993, the rules changed regarding the taxation of Social Security benefits. Today, some individuals are placed in the position of paying taxes on as much as 85% of their Social Security benefits.

This occurs if you have too much PROVISIONAL INCOME that must be reported on your tax return.

Provisional income includes all items that are normally part of your adjusted gross income, which includes wages, pensions, dividends, and interest. In addition to these amounts, tax-exempt interest income AND 50% of your Social Security benefits are included.

The chart below illustrates how much of your Social Security benefits are subject to taxation, and at what levels:

Filing status	Provisional Income	Percentage of Social Security that is taxable
Single, head of household, qualifying widower, and married filing separately (where the spouses lived apart the entire year)	Below \$25,000	All Social Security income is tax-free.
	\$25,000 - \$34,000	Up to 50% of Social Security benefit may be taxable.
	More than \$34,000	Up to 85% of Social Security benefit may be taxable.
Married couple filing jointly	Below \$32,000	All Social Security income is tax-free.
	\$32,000 - \$44,000	Up to 50% of Social Security benefit may be taxable.
	More than \$44,000	Up to 85% of Social Security benefit may be taxable.

For more information please see IRS Publication 915, [Social Security and Equivalent Railroad Retirement Benefits](#).

The solution to lowering the amount of tax you pay on your Social Security benefits lies in creating a strategy to help reduce your overall taxable income. This can be accomplished by changing the types of investments you may have that are paying interest and dividends, needlessly pushing your Social Security benefits into taxable territory.

There is a retirement planning strategy available that can assist you in converting your “countable income” into “non-countable” income. This can help reduce the amount of money that counts toward your threshold income thus lowering, and in some cases, even eliminating the amount of taxes you will pay on your Social Security benefits.



Fact Sheet

SOCIAL SECURITY

2025 SOCIAL SECURITY CHANGES

Cost-of-Living Adjustment (COLA):

Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2023 through the third quarter of 2024, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 2.5 percent COLA for 2025. Other important 2025 Social Security information is as follows:

Tax Rate	2024	2025
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

NOTE: The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount (see below). The Medicare portion (HI) is 1.45% on all earnings. Also, as of January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9 percent in Medicare taxes. The tax rates shown above do not include the 0.9 percent.

	2024	2025
Maximum Taxable Earnings		
Social Security (OASDI only)	\$168,600	\$176,100
Medicare (HI only)	No Limit	
Quarter of Coverage		
	\$1,730	\$1,810
Retirement Earnings Test Exempt Amounts		
Under full retirement age	\$22,320/yr. (\$1,860/mo.)	\$23,400/yr. (\$1,950/mo.)
NOTE: One dollar in benefits will be withheld for every \$2 in earnings above the limit.		

	2024	2025
The year an individual reaches full retirement age	\$59,520/yr. (\$4,960/mo.)	\$62,160/yr. (\$5,180/mo.)
NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.		
Beginning the month an individual attains full retirement age	None	

	2024	2025
Social Security Disability Thresholds		
Substantial Gainful Activity (SGA)		
Non-Blind	\$1,550/mo.	\$1,620/mo.
Blind	\$2,590/mo.	\$2,700/mo.
Trial Work Period (TWP)	\$1,110/mo.	\$1,160/mo.
Maximum Social Security Benefit: Worker Retiring at Full Retirement Age		
	\$3,822/mo.	\$4,018/mo.
SSI Federal Payment Standard		
Individual	\$ 943/mo.	\$ 967/mo.
Couple	\$1,415/mo.	\$1,450/mo.
SSI Resource Limits		
Individual	\$2,000	\$2,000
Couple	\$3,000	\$3,000
SSI Student Exclusion		
Monthly limit	\$2,290	\$2,350
Annual limit	\$9,230	\$9,460
Estimated Average Monthly Social Security Benefits Payable in January 2025		
	Before 2.5% COLA	After 2.5% COLA
All Retired Workers	\$1,927	\$1,976
Aged Couple, Both Receiving Benefits	\$3,014	\$3,089
Widowed Mother and Two Children	\$3,669	\$3,761
Aged Widow(er) Alone	\$1,788	\$1,832
Disabled Worker, Spouse and One or More Children	\$2,757	\$2,826
All Disabled Workers	\$1,542	\$1,580

This press release was produced and disseminated at U.S. taxpayer expense.

Key Takeaways

SOCIAL SECURITY

- The 4% rule rarely, if ever, actually means 4%
- Your retirement plan needs to cover every part, even the ones that are hard to talk about
- You can access your benefit-specific information at SSA.gov

Bad annuity returns?
Try our calculator!



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