



Social Security and your retirement

Knowing the rules of the road

Social Security is as important as ever

You may have thought about all the things you'll do once you retire. But have you considered the role **Social Security** will play in helping you realize your dreams?

Regardless of when you plan to retire, Social Security will likely be an important part of the road ahead. Many Americans, however, are unsure about the specifics of their earned benefits. But it doesn't have to be guesswork. A **better understanding** provides you with powerful knowledge as you make your way along the road to retirement.

Nearly **9 out of 10** people age 65 and older were receiving Social Security benefits as of June 30, 2024.¹

In fact, Social Security benefits are a key source of retirement income for Americans.¹

- **About 30%** of the income of people over age 65
- **Half or more** of the income of **37% of retired men and 42% of retired women**, among beneficiaries
- **90% or more** of the income of **12% of elderly men and 15% of elderly women**

The estimated average monthly benefit for a retired worker in August 2024 was \$1,920.48.²

The value of Social Security

Social Security provides four important benefits:

1. Predetermined steady income

Social Security offers you the comfort of a regular retirement income to replace a portion of your working paycheck.

2. Income you can't outlive

As one of the few sources of income you can't outlive, Social Security offers the confidence of lifetime income.

3. Annual inflation adjustments

Unlike many other income sources, Social Security provides annual adjustments for inflation.

4. Spousal and survivor benefits

Social Security offers both spousal and survivor benefits. For example, a spouse who didn't work and earn any Social Security on his or her own can receive up to 50% of their working spouse's benefit, if they are age 62 or over or if they have a qualifying child in their care. Additionally, when one spouse dies, the survivor can receive the greater of their spouse's or their own benefit. Dependent children may also be entitled to benefits.³

Social Security's rules of the road

Let's hit the road to learn more about how Social Security works and how to **get the most** from your benefits. This knowledge can help ensure a clear path into retirement.

Eligibility

For most people, if you work in a Social Security-covered job for a minimum of **10 years**, you become eligible for Social Security benefits. Typically, you must have **40 credits** to be eligible. In 2025, you will earn 1 credit for each \$1,810 in earnings — up to a maximum of 4 credits per year. In general, once you have 40 credits, you are insured under Social Security. But keep in mind your benefit amount is not based on credits, but on your **earnings history**.⁴

Primary insurance amount

Breaking down the formula for calculating your Social Security benefit helps you understand what you can expect. First, the formula takes your 35 highest years (not necessarily consecutive) of earnings and fills in any missing years with **\$0**. Then, it adjusts or “indexes” those earnings for inflation and **divides by the total number of months** to get an average. Next, it rounds down to the **next lower dollar amount** to calculate your average indexed monthly earnings (AIME).⁵ Finally, a **three-part formula** is applied to your AIME to determine your primary insurance amount (PIA).

Calculating your PIA based on 2025 numbers

PIA is calculated using a formula that includes what's referred to as “**bend points**.” First, your benefit provides 90% of the first \$1,226 of your AIME. Second, it adds 32% of your AIME between \$1,226 and \$7,391. Finally, it adds 15% of your AIME over \$7,391.⁶

The maximum Social Security benefit available in 2025 to someone retiring today who had maxed out the system and is at full retirement age (FRA) is \$4,018.⁶

Understanding your Social Security benefit options

Full retirement age

It's **crucial** to know your full retirement age, the age when you can receive 100% of your Social Security benefit (your current PIA). Many of us grew up thinking 65 is Social Security's retirement age, but that is no longer true. The full retirement age has been **going up** to account for longer life expectancies and longer working careers.⁷

Birth year*	Full retirement age
1943-54	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

*Those born on January 1 should use the full retirement age for the previous year.

Start date

Anyone can start receiving benefits as early as age 62. But if you start before your full retirement age, your benefit will be reduced. And that reduction will continue for life ... **your benefit won't go up** once you reach full retirement age.

Early retirement: An example

Let's assume a PIA of \$2,000 at the full retirement age of 66 and 10 months for someone born in 1959.⁹

Start age	% applied to PIA	Reduced lifetime benefit
62	70.8%	\$1,416
63	75.8%	\$1,516
64	81.1%	\$1,622
65	87.8%	\$1,756
66	94.4%	\$1,888
66 and 10 months	100%	\$2,000

For those turning 62 in 2025, full retirement age is 67, so if you claim benefits right away in the month you turn 62, your reduction is 30%, leaving 70% — so your reduced lifetime benefit is around \$1,400, assuming a PIA of \$2,000.⁸



Delaying retirement

If you delay the onset of Social Security benefits past full retirement age, you earn delayed credits. Delayed retirement benefits accrue on a monthly basis, increasing your benefit by 8% per year past your full retirement age. You can earn delayed credits up to age 70; however, delaying your Social Security benefits past your 70th birthday provides no additional benefit.⁹

Delayed retirement credits: An example

Your benefit would increase each year you delay the start of benefits after full retirement age. Let's assume a \$2,000 PIA at full retirement age for a person born in 1959, whose full retirement age is 66 and 10 months:⁹

Start age	% applied to PIA	Increased lifetime benefit
66 and 10 months	100%	\$2,000
67 and 10 months	108%	\$2,160
68 and 10 months	116%	\$2,320
69 and 10 months	124%	\$2,480
70 or later	125.3%	\$2,506



Spousal benefits

Your spouse is entitled to receive up to **50% of your benefit** or their own benefit if it were higher than their spousal benefit. To receive this, they must be age 62 or older or have a qualifying child in their care.³

Spousal benefits: An example

Let's look at this couple, for example, and assume both are approaching their FRA. The primary worker with higher earnings is eligible for a **\$2,000** monthly benefit. The spouse also worked for a period of time, and their benefit calculates out to **\$800** a month. When they file for benefits, the low-income earner is eligible for a **\$1,000 spousal benefit** at full retirement age, based on the high-income earner's record.

Note: When you're actually claiming Social Security benefits, you will receive the higher of those two amounts.



Divorced spouses

Divorced spouses can also claim spousal benefits as long as the marriage lasted **10 years** or more, and the person receiving divorced spouse benefits remains unmarried.¹⁰

Survivor benefits

Social Security also provides survivor benefits. When a spouse passes, a survivor can switch and receive the benefit for the spouse who has passed if it's higher than their own. Note that the survivor must be **at least age 60** for reduced benefits (50 if disabled). The couple must have been married for at least **9 months** before survivor benefits will be paid (except in case of accident, death in the line of duty and a few other special circumstances).¹¹ A surviving spouse can get remarried after the age of 60 and still qualify for survivor benefits. Ex-spouse survivor benefits are also available if the marriage lasted more than 10 years.¹¹

Earnings test

You can continue to work while you receive Social Security benefits. But, if you receive benefits before full retirement age and continue working, some of your benefits may be withheld. The maximum amount you can earn before benefits are withheld is called the **earnings test**, and the amount is adjusted each year for inflation. Up until the year you turn full retirement age, for every \$2 you earn over the earnings test, Uncle Sam will withhold \$1. At full retirement age, your benefit is increased to account for the months when benefits were withheld.¹²

2025 earnings limits¹²

From 62 to FRA

Give up \$1 for every \$2 earned over \$23,400

In the year you turn FRA

Give up \$1 for every \$3 earned over \$62,160

After your FRA

No benefits withheld

Taxation

Depending on how much other income you earn, Social Security benefits may also be taxable. Note that these percentages are **not tax rates**. They are just the amount of your benefit that you must include as income on your tax return.¹³

Single or head of household

50% taxable if you have between \$25,000-\$34,000 combined income

85% taxable if you have more than \$34,000 combined income

Married, filing jointly

50% taxable if you have between \$32,000-\$44,000 combined income

85% taxable if you have more than \$44,000 combined income

Combined income is defined as your adjusted gross income plus nontaxable interest plus half of your Social Security benefits.

Make the most of your benefits

Considering all of your options could help you get more out of your Social Security benefits.

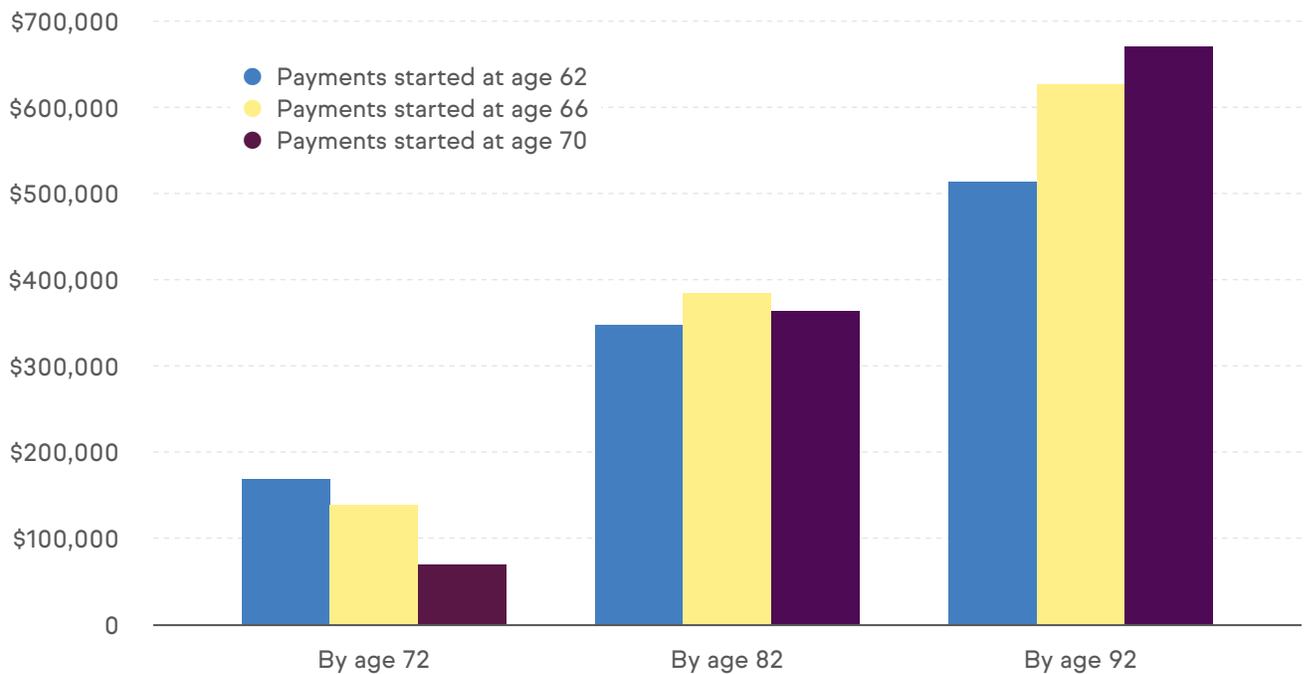
Track your benefits.

You can set up your “My Social Security” account online at ssa.gov. You can view your earnings statements, check out some of the Social Security Administration’s retirement planning tools and even apply for your benefits online.

Check your break-even age.

No one knows the optimal time to retire, but checking the break-even crossover point may help. The **break-even age** is when you begin receiving more in total benefits by waiting to start your benefit at a later age compared to an earlier start age.

Compare break-even points.



Hypothetical example for illustration purposes only.

Assumes top wage earner turning 62 this year with monthly benefits of:

- \$1,416 if starting at 62
- \$2,000 if starting at 66 and 10 months
- \$2,506 if starting at 70

Comparing 62 to 66, the break-even age is 74.

Comparing 62 to 70, the break-even age is 79.

Comparing 66 to 70, the break-even age is 84.

Don't start early because you're worried.

Now, we all have heard about the future financial problems of the **Social Security Trust Fund**, and the fact that as the years go by there will be fewer young people paying in to cover the costs of all the baby boomers now starting to draw out benefits. If you're thinking you should start your benefits **right away at 62** just because Social Security might have money problems down the road, wait a minute.

Will Social Security be enough to live on? Probably not.

Even if you shouldn't spend too much time thinking about whether Social Security will be there way down the road, you **should spend some time** thinking about whether Social Security will be enough for you to live on. The truth for most Americans is ... probably not.

While nearly **9 out of 10** people aged 65 and older receive Social Security, the benefits only account for about 30% of their income.¹ So, where else do you turn when it comes to retirement income? There are basically three sources: Social Security payments from the government, any pension or retirement savings from your employer and income from your own personal savings.



¹ Social Security Administration. Fact Sheet. Accessed October 2024.

² Social Security Administration. Monthly Statistical Snapshot. September 2024.

³ Social Security Administration. Benefits for Spouses. Accessed October 2023.

⁴ Social Security Administration. How You Earn Credits. February 2025.

⁵ Social Security Administration. Social Security Benefit Amounts. Accessed October 2024.

⁶ Social Security Administration. Fact Sheet: 2025 Social Security Changes. Accessed October 2024.

⁷ Social Security Administration. Starting Your Retirement Benefits Early. Accessed October 2024.

⁸ Social Security Administration. If you were born in 1960 or later, your full retirement age is 67. Accessed December 2024.

⁹ Social Security Administration. If you were born between 1959, your full retirement age is 66 and 10 months. Accessed October 2024.

¹⁰ Social Security Administration. Who can get Family benefits. Accessed December 2024.

¹¹ Social Security Administration. Who can get Survivor benefits. Accessed October 2024.

¹² Social Security Administration. Exempt Amounts Under the Earnings Test. Accessed October 2024.

¹³ Social Security Administration. Income Taxes and Your Social Security Benefit. Accessed October 2024.

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