

7 Things Everyone Gets Wrong About Social Security

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Millions of Americans rely on [Social Security earnings in retirement](#). If your golden years are far off in the distance, you might not give a second thought to Social Security and what the program means for you.

But that can be a mistake. If you don't understand Social Security now, you could be in for some unfortunate surprises after you stop working.

For starters, the program might not be as healthy as you think. "Many estimates have the Social Security Trust Fund exhausting around 2034," said [Peter Donohoe](#), a Boston-based certified financial planner at Citizens Investment Services.

While many experts are hopeful politicians eventually will act to shore up the system, there are no guarantees. So, to be safe, it's probably wise to make some smart money moves now that could put you in a better financial position when you retire.

Following are seven things everyone gets wrong about Social Security — and the truths you need to know to be [prepared for retirement](#).

Myth No. 1: Your Benefit Is the Same Regardless of When You Retire

Three months before your birthday, the Social Security Administration sends you a recap of your annual earnings history. If you review this statement closely, you will see that the breakdown of benefits is based on your earnings to date. The statement gives you an estimate of benefits you will earn if you continue working until you reach a certain age.

Many people mistakenly assume their [monthly Social Security retirement benefit](#) will be the same no matter what age they retire. However, retiring from work and claiming Social Security at a younger age can hurt you.

Look closely at your statement, and you will see that you can get a bigger benefit by delaying retirement and claiming benefits after your full retirement age. The difference can be as much as a few hundred dollars more per month if you wait than if you retire at 62.

Myth No. 2: You Can Wait Until Retiring Before Thinking About Social Security

Long before you retire, try to learn about the Social Security benefits for which you are eligible. Too many people overlook this step.

Learning more about Social Security benefits can help you make more effective financial planning decisions. For example, you might be eligible for your ex-spouse's benefits, yet not even know it. You can also earn a bigger Social Security check simply by delaying retirement beyond your full retirement age.

You can find a wealth of information about retirement planning on the "Retirement Planner" page of the Social Security Administration website.

Myth No. 3: You Automatically Get Full Benefits When Reaching Age 65

Don't automatically assume you will receive benefits as soon as you reach 65 years of age. [Social Security rules have changed](#) over the years. "The reality is that full retirement age, or 'FRA,' was age 65, but is now based on your year of birth and may currently be up to age 67," Donohue said.

You still have the option of taking your benefits at age 62, but you will receive a reduced benefit — about a 30 percent reduction — if you do. If you receive a spouse's benefit beginning at age 62, your benefit is reduced to about 32.5 percent of the amount your spouse would receive if he started getting benefits at full retirement age.

It is a myth that taking your benefit early always pays the highest lifetime benefit, Donohue said. The reality is that many factors — including future cost-of-living adjustments and your eventual age of death — influence "which claiming date maximizes lifetime benefit," he said.

Myth No. 4: You Can Keep Working While Claiming Full Social Security Benefits

A big percentage of Americans misunderstand the rules for working when collecting Social Security benefits.

More than half of people in a MassMutual survey wrongly thought they could continue working at any age while also collecting full Social Security retirement benefits.

Although you are free to work and receive Social Security retirement benefits, the government will reduce your benefit if you are younger than your full retirement age and end up making more than the yearly earnings limit. In 2016, that earning limit is \$15,720. The Social Security Administration deducts \$1 in benefits for every \$2 you earn above that limit until you reach retirement age.

Things change a little as you get close to full retirement age. In the year you reach your full retirement age, the Social Security Administration deducts \$1 for every \$3 you earn above the annual limit. In 2016, this limit was \$41,880. And once you are fully retired, you can keep working without any deductions on benefits — there are no limits on your earnings.

Myth No. 5: You Cannot Collect an Ex-Spouse's Social Security Benefits

If you end up getting divorced during your lifetime, you are eligible to receive Social Security retirement benefits based on your ex-spouse's earnings history, said [David Freitag](#), a financial planning consultant with MassMutual. More than 55 percent of Americans who took the MassMutual survey didn't know this was an option.

The Social Security Administration lists the conditions of eligibility for these benefits. Among other factors, they include having been in a marriage that lasted at least 10 years to an ex-spouse who is unmarried, and age 62 years or older.

If you start receiving benefits at your full retirement age, your benefit is equal to one-half of your ex-spouse's full retirement amount or disability benefit, according to the Social Security Administration. But, if you end up remarrying, you cannot collect benefits unless your next marriage ends by death, divorce or annulment.

Myth No. 6: A Spouse Can't Receive Your Social Security Benefits

Even if your spouse has no earnings history or doesn't meet the 40-credit requirement to receive benefits, he is eligible for Social Security retirement benefits simply because he is married to you, Freitag said.

To [receive this spousal benefit](#), your spouse must be at least 62 years of age or have a qualifying child in his care. The total benefit might be as much as half of the primary worker's primary insurance amount. The Social Security website can help you calculate the primary insurance amount.

Myth No. 7: You Are Likely to Be Disqualified for Social Security Benefits

Don't worry about getting to retirement only to end up disqualified for benefits. "It is more likely to accidentally 'miss out' on full benefits than it is to be disqualified for Social Security," Donohue said.

You can, however, miss out on benefits if you get a part-time job before full retirement age and no longer pass the earnings test, Donohue said. You might also miss out on benefits if you are eligible for a large widow or widower benefit when your spouse dies, but you then get remarried before you turn 60. If you are divorced and get remarried, you will miss out on a spousal benefit.

"Proper planning around life events and claiming is vitally important when claiming Social Security," Donohue said.

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