



What you need to know about *Social Security*

Social Security provides a source of income for workers who've retired or become disabled and for families that have lost a wage earner.

Today, almost 90% of Americans age 65 or older depend on these funds to help them meet their day-to-day expenses in retirement.¹ But Social Security isn't—and was never meant to be—a sole source of retirement income. Learn how to make the most of it, so you'll know how much more you need to save for retirement.

How does Social Security work?

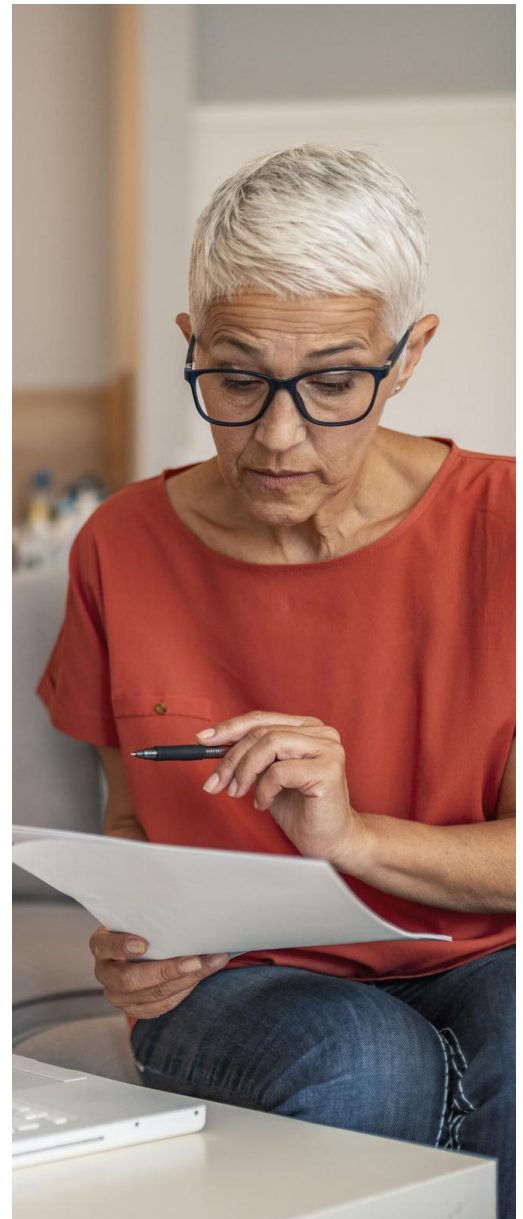
While you're working, Social Security is deducted as a tax from your paycheck and collected into a pooled fund, managed by the U.S. Social Security Administration (SSA), to pay out Social Security benefits. The amount you receive from Social Security reflects the payments you made into the program during your working years.

You need to earn 40 credits over the course of your career to qualify for retirement benefits, and you earn credits based on your earnings. In 2022, you earn one credit for every \$1,510 in earnings, and you can earn up to four credits in a year. The Social Security program only requires that you reach 40 credits—any excess credits earned don't increase your benefit.²

Your monthly benefit is based on your highest 35 years of earnings. If you haven't worked at least 35 years, your monthly benefit will be lower, as the years you didn't accumulate earnings will count as \$0.00. You can view your earning history by creating an account on the [SSA website](#).

¹ "Fact Sheet: Social Security," U.S. Social Security Administration, December 2021.

² "Retirement Benefits," U.S. Social Security Administration, December 2021.



Calculate your Social Security benefit

You can calculate your benefit using the calculator at ssa.gov/OACT/quickcalc. Understanding your expected benefit can help you **avoid** financial surprises down the road.



How much will I receive from Social Security when I retire?

The average Social Security benefit for retired workers in 2021 was less than

\$19,000¹

per year, which is less than **half** of the median per capita income in the United States (as of 2020).³

Your Social Security checklist

There's a lot to think about as you approach the age you'll start taking Social Security.

Timing

When you start receiving payments can make a big difference in the amount you receive monthly. Generally, the longer you wait, the larger your monthly benefit.

- You can take your benefit early, starting at age **62**, but the monthly amount will be reduced because you'll be receiving it for a longer time.
- You can start collecting in retirement at the age of **66** or **67**, depending on when you were born. The monthly payment will be higher than if you start collecting at 62, but lower than waiting until age 70.
- Or you can wait until age **70**, which means you'll receive a higher monthly payment than if you'd retired earlier.

To help you decide when to retire, there are a few things to consider, including:



Life expectancy

A 65-year-old today is likely to live another 20 years.¹ Do you have enough retirement savings to last 20 or more years? Can you wait until age 70, so you can maximize your benefit from that point forward?



Marital status

If you're married, factor in when your spouse is planning to take benefits, as that may affect when you take yours. There are many additional factors to consider. A **financial professional** can help you determine the best course of action based on your situation.

Taxes

The taxes you'll owe in retirement will depend on other income, such as pensions, your pay (if you're still working), dividends, and other taxable income, and, in some states, your Social Security payments. If you need to pay federal taxes, you can have them **withheld** from your Social Security benefits. Check with your tax professional or state tax agency for more information.

Your spouse's benefits⁴

If you're married and never worked or didn't earn the credits necessary to receive Social Security income, you can get up to half of your spouse's benefit. Even if you *have* worked, but your benefit is less than 50% of your spouse's, you can still receive an amount equal to 50% of your spouse's benefit. In this case, you'll be paid your benefit plus a supplemental amount, so that your total Social Security payment equals half of your spouse's benefit.

³ "Real Median Personal Income in the United States," Federal Reserve Bank of St. Louis, September 2021. ⁴ "Retirement Benefits," U.S. Social Security Administration, January 2022.

Your monthly Social Security check

Your Social Security payment will be the same every month of a calendar year. Every October, the SSA assesses whether cost-of-living adjustments (COLA) are needed to account for inflation. If so, COLA-related changes are implemented in January for the following year.

For 2022, the COLA is 5.9%⁵ over 2021—but that doesn't necessarily mean that your Social Security payments will increase by that amount.⁶ If any of the following factors apply to you, then your monthly check amount may increase by the full COLA amount:

- You made changes to your withholding amount,
- You're still working,
- You've registered for Medicare or changed coverage, or
- You owe money on taxes, student loans, or alimony



A word of caution

Social Security is projected to face a shortfall in 2034, which means that the amount put aside may not be enough to cover all of the benefits due. This is because the population is aging, changing the ratio of workers paying into the system versus retirees taking benefits out.⁷ It's a good idea to keep an eye on the projection to see if it changes for the better or for the worse over time.



Social Security can be a great way to supplement your income in retirement; however, it's very important to save as much as you can through other sources, such as your 401(k) plan or other retirement plan benefits. Taking control of your retirement planning today can help you prepare for the future.

⁵ ["Fact Sheet: Social Security—2022 SOCIAL SECURITY CHANGES,"](#) U.S. Social Security Administration, October 2021. ⁶ ["Social Security payments increased—why didn't my check?,"](#) John Hancock, February 2022. ⁷ ["Fast Facts & Figures About Social Security, 2021,"](#) U.S. Social Security Administration, December 2021.



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