



# Social Security Gets Massive 5.9% Raise in 2022

## *The largest cost-of-living-adjustment since 1982 impacts 90% of seniors*

On October 13<sup>th</sup>, the Social Security Administration announced that Social Security and Supplemental Security Income benefits for tens of millions of Americans will increase in 2022. The press release stated the following:

“Social Security and Supplemental Security Income (SSI) benefits for approximately 70 million Americans will increase 5.9 percent in 2022.

The 5.9 percent cost-of-living adjustment (COLA) will begin with benefits payable to more than 64 million Social Security beneficiaries in January 2022. Increased payments to approximately 8 million SSI beneficiaries will begin on December 30, 2021. (Note: some people receive both Social Security and SSI benefits).

The maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$147,000.”

### **Biggest Leap Since 1982**

This 5.9% leap in the annual COLA is the largest since 1982. According to the Social Security Administration, retirees will see an average of \$92 added to their monthly benefits next year, raising the typical amount to \$1,657.

Further, almost 9 out of every 10 people over the age of 65 receive Social Security and collectively, the social security payments make up about a third of

their income (although that number is much higher for lower income seniors).

### **Keeping Pace with Inflation?**

Of course there were many factors that went into making this COLA decision, including inflationary data points and when the Fed might taper its bond buying program in an effort to curtail inflation. But the latest press release from the Bureau of Labor Statistics in September reported that the Consumer Price Index for All Urban Consumers increased 0.3% in August after rising 0.5% in July. And over the last 12 months the All Items index increased 5.3%.

### **When to File for Social Security**

Social Security benefits constitute a big part of many retirement plans. Advice abounds about how and when you need to file. What is best for you and your family?

Generally, you can file for your Social Security retirement benefits when you reach age 62. But doing so will reduce your benefits by as much as 30% below what you might receive if you wait until your full retirement age. Accordingly, most financial advisors recommend you delay filing to better maximize your lifetime benefits.

If you wait until your full retirement age – which is 66 for most people – you will get your full benefit. Or you can wait until age 70, which will increase your benefit

because you earned what is called “delayed retirement benefits.”

In other words, there is no one-size-fits all answer to when you should start receiving Social Security.

### **Social Security is Only Part of Retirement**

It is important to remember that although Social Security plays a very important role in supplementing one’s retirement income, it was never meant to be the only source of income.

In fact, even the Social Security Administration states that Social Security benefits will – at best – cover about 40% of the typical worker’s pre-retirement income. But the key word is “typical” because everyone is different.

And to make matters more dire, those contemplating retirement – which is everyone – should know that Social Security has a funding issue: by the year 2033, the Social Security trust fund will be at \$0 and will only collect enough taxes to pay about 76% of scheduled benefits.

In other words, your retirement might be somewhat dependent on Congress stepping in to fix this shortfall.

### **Make Sure You Plan with Your Advisor**

Talk to your financial advisor to make sure your retirement planning is not dependent on Congress taking action.