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# What you need to know about Social Security retirement benefits

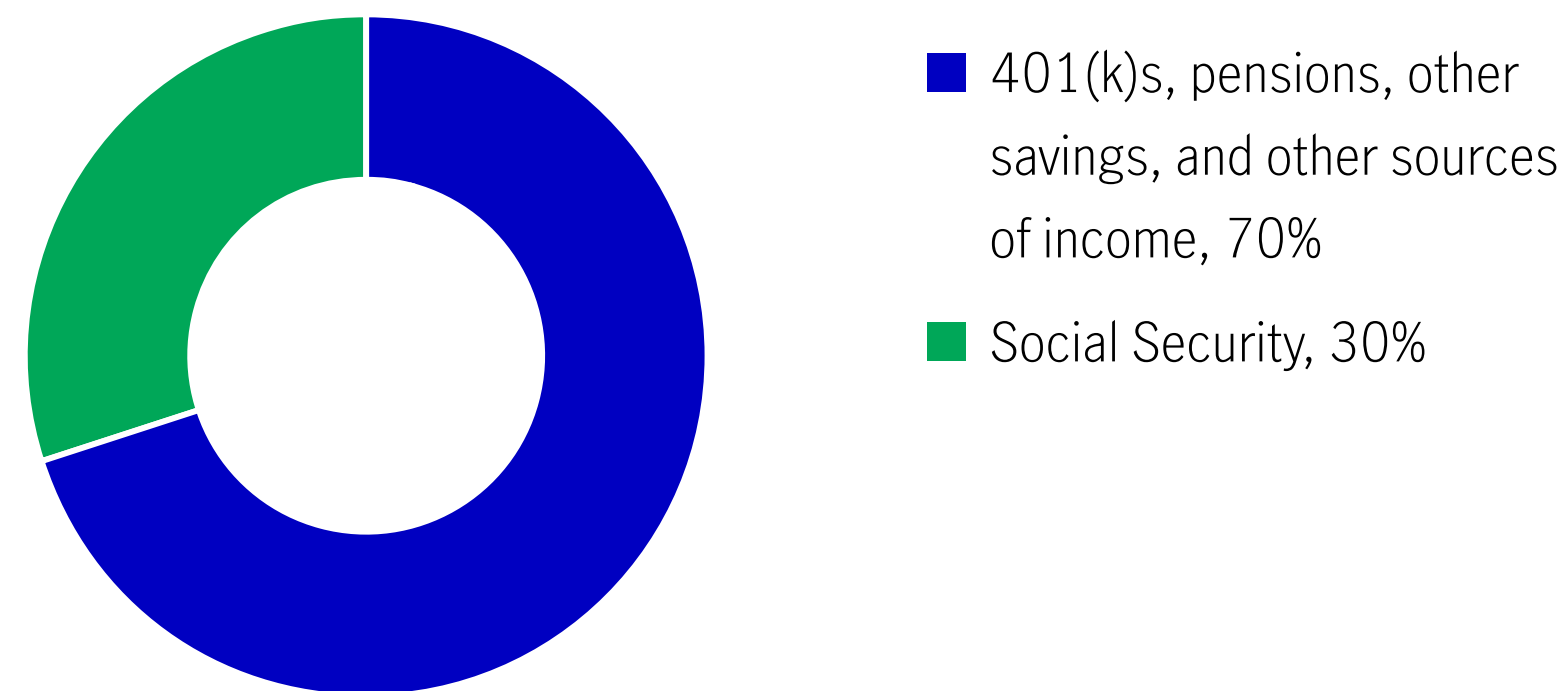
Planning ahead

# What is Social Security and how does it work?

Social Security provides a source of income for workers who've retired or become disabled as well as for families that have lost a wage earner. Today, nearly [90% of Americans aged 65 or older](#) depend on this income to help them meet their day-to-day expenses in retirement. But Social Security isn't—and was never meant to be—a sole source of retirement income. Learn about Social Security retirement benefits to help determine how much more you may need to save for retirement.

## What's Social Security's role in your retirement picture?

Social Security accounts for [about 30% of elderly Americans' income](#). It's best to think of your benefits as a supplement to other sources of retirement income—including your workplace retirement plans and IRAs.



For illustrative purposes only.

## How does Social Security work?

While you're still 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 the SSA reflects the payments you and your employer made into the program during your working years.

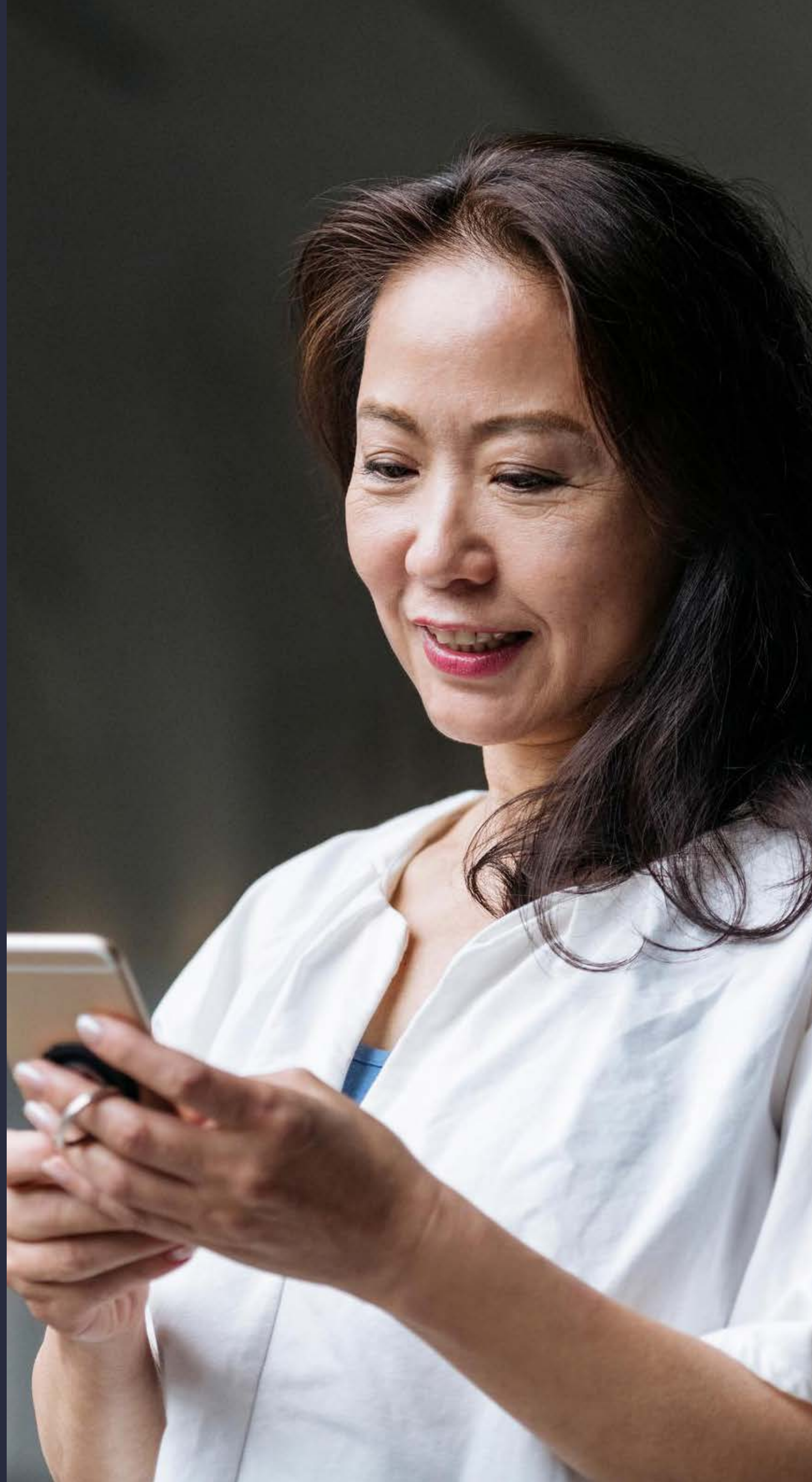
## You contribute to Social Security by paying a tax while you're working so you can receive Social Security retirement benefits later

The Social Security tax is called FICA—Federal Insurance Contributions Act—which you may be familiar with because you see it on your paycheck.

**7.65%** of your paycheck in 2022 goes to FICA—and your employer matches the same amount:

- **6.20%** is for Social Security
- **1.45%** is for Medicare<sup>1</sup>

<sup>1</sup> An additional 0.9% Medicare tax may apply based on income exceeding certain thresholds.



# How do I qualify for Social Security retirement benefits?

As you earn income, the SSA tracks the FICA (Federal Insurance Contribution Act) taxes you pay. Here's how to qualify for benefits.

- 1** Accumulate **40 credits** over the course of your working years; in 2022, 1 credit for every \$1,510 you earn, up to a maximum of 4 credits per year.
- 2** Work at least **10 years** (which don't have to be continuous).
- 3** You must reach **full retirement age** to qualify for your full benefit—though reduced, **early** benefits are available at age 62 and older, delayed benefits are available after your full retirement age (with the amount capped at age 70).

### What's full retirement age?

Year of birth	Full retirement age
1943–1954	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

Source: "[Starting Your Retirement Benefits Early](#)," ssa.gov, 2022.

## How do Social Security credits work?

You need to earn 40 credits over the course of your career to qualify for retirement benefits, and you earn credits based on your income. As of 2022, you earn 1 credit for every \$1,510 in income, and you can earn up to 4 credits in a year. The Social Security program only requires that you [reach 40 credits](#)—anything beyond this won't increase your benefit. Fewer credits are required for entitlement to disability benefits or survivor benefits for family members of a deceased worker.

## How do years of work factor into my Social Security retirement benefit?

Your monthly Social Security retirement benefit is based on your highest 35 years of earnings, adjusted for inflation. If you work longer than 35 years, only the 35 highest-earning years are used to calculate your benefit. If you don't work at least 35 years, your monthly benefit will be lower, since the years you don't accumulate earnings will go into your calculation as \$0.

You can view your earning history and get access to other helpful resources by [creating a Social Security account](#).

## How much will my Social Security retirement benefits be?

In addition to whether you choose to receive your Social Security retirement benefit before, at, or after your full retirement age, the actual amount will depend on how much you've earned each year. Based on your actual earnings, the SSA calculates your average indexed monthly earnings, and your indexed earnings determine the amount of your Social Security retirement benefit.

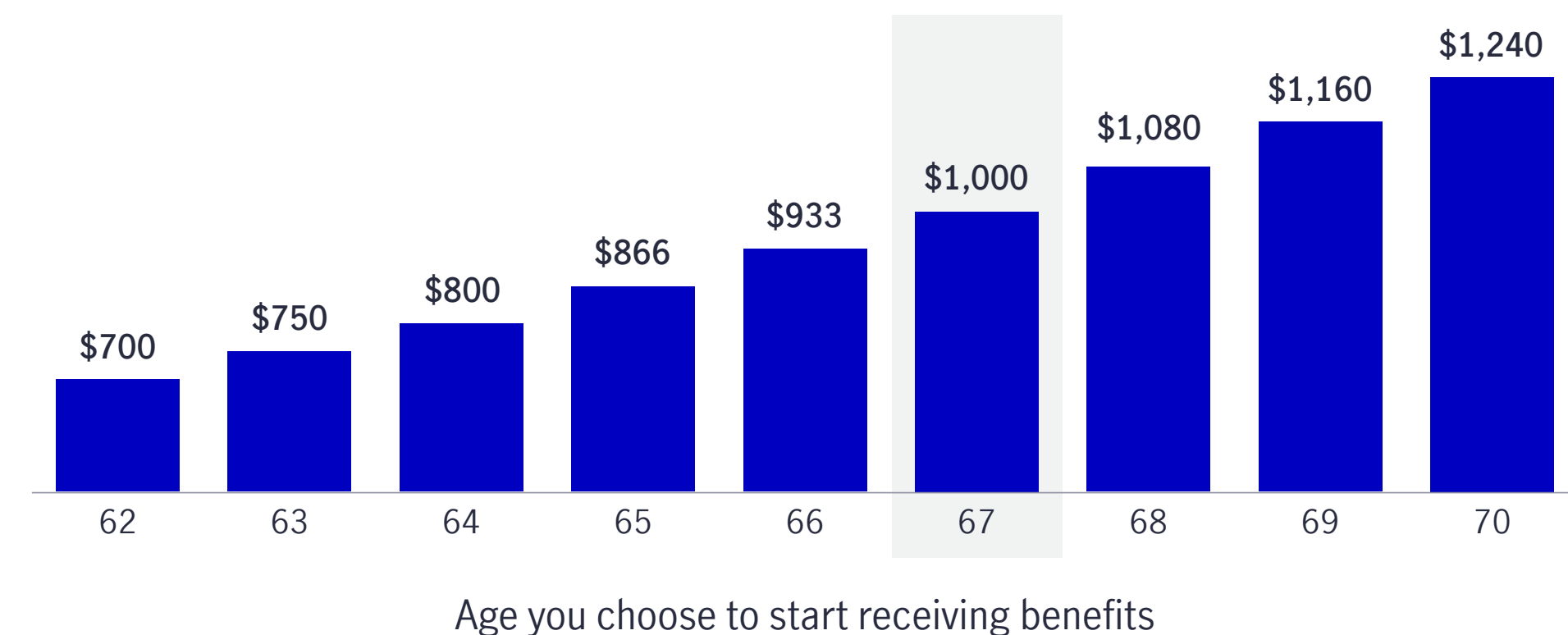
The best way to estimate your future Social Security retirement benefit is to refer to your latest Social Security statement, which is mailed to your home, or use the SSA's [online benefits calculator](#).



# When is the best time to begin taking Social Security retirement benefits?

That's a question only you can answer. Here's a hypothetical look at how Social Security retirement benefits can vary based on the age you start taking them.

**Monthly benefit amounts differ based on the age you decide to start receiving them**



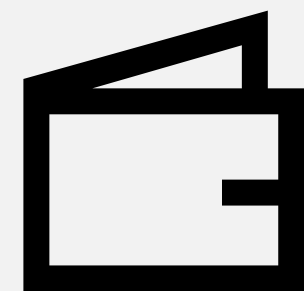
Source: "[When to Start Receiving Retirement Benefits](#)," ssa.gov, 2022. The illustration assumes a benefit of \$1,000 at a full retirement age of 67.

## What determines my best start date?

We all have our own criteria for either stopping or winding down our careers and for when we start taking Social Security retirement benefits and/or accessing other sources of retirement income. Here are three of the most important factors to think about.

### 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 retirement payments. If you need to pay federal taxes, you can have them withheld from your Social Security retirement benefits. Check with your tax professional or state tax agency for more information.



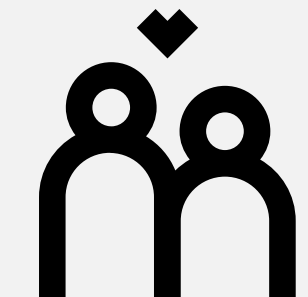
### Life expectancy and retirement assets

[Today](#), a 65-year-old woman can expect to live another 20 years and a 65-year-old man another 17 years. Do you have enough retirement savings and potential pension payments to last two decades or longer? You can use view your personalized retirement expenses, check your projected income, and update your approach with [retirement planner](#)<sup>2</sup> at [myplan.johnhancock.com](http://myplan.johnhancock.com).



### Marital status

If you're married, consider when your spouse is planning to take Social Security retirement benefits. Does it make more sense for one of you to work a bit longer until you build up a nest egg or earn combined Social Security retirement benefits that meet your retirement needs?



<sup>2</sup> The projected retirement income estimates for your current John Hancock accounts, future contributions, employer contributions (if applicable), and other accounts set aside for retirement used in this calculator are hypothetical, for illustrative purposes only, and do not constitute investment advice. Results are not guaranteed and do not represent the current or future performance of any specific account or investment. Due to market fluctuations and other factors, it is possible that investment objectives may not be met. Investing involves risks, and past performance does not guarantee future results.

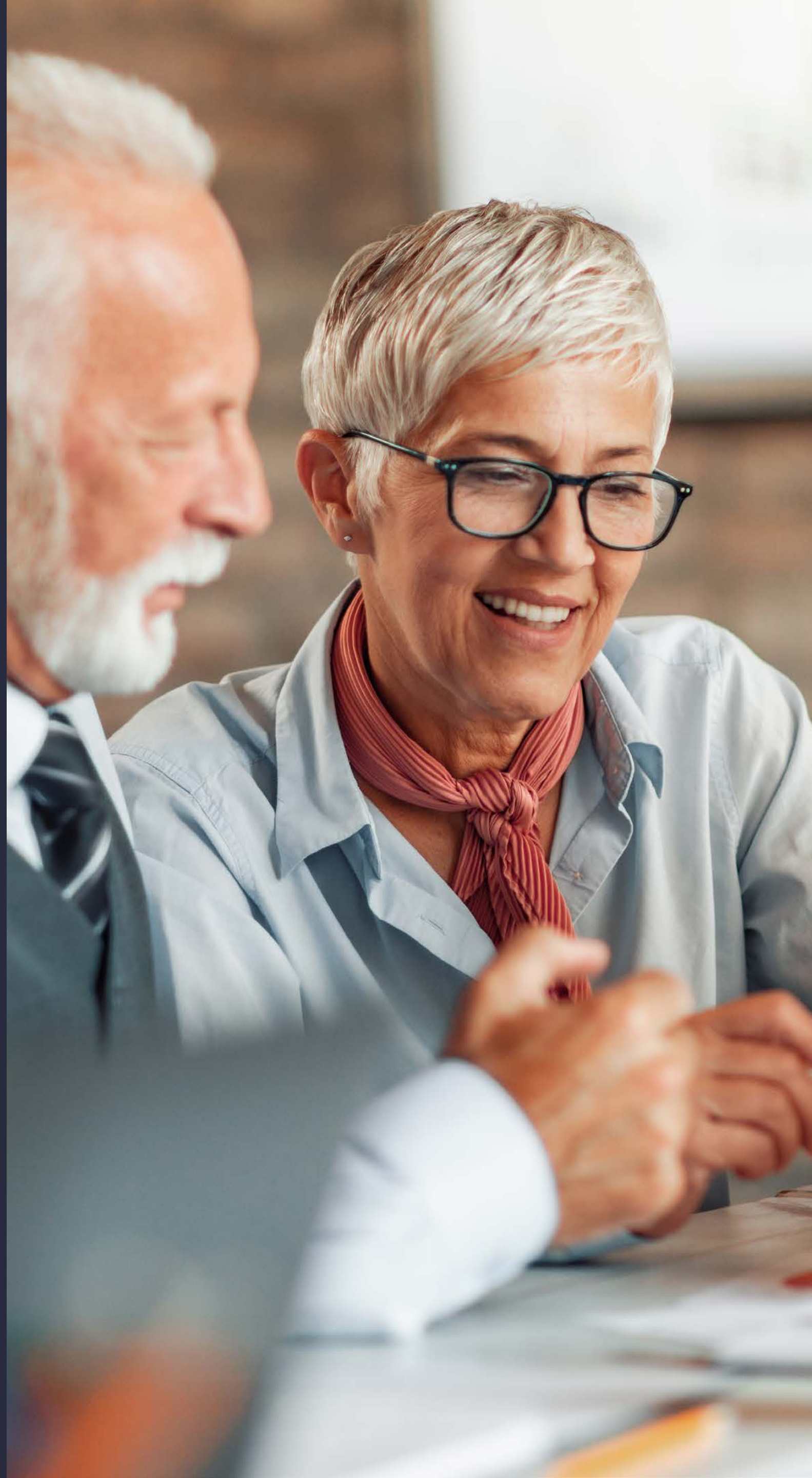
## What are spousal benefits and how do they work?

If you're married and didn't earn the credits necessary to receive Social Security retirement benefits—or if you're eligible to receive a Social Security retirement benefit that's less than 50% of your eligible spouse's benefit—you may be eligible for a spousal benefit. This spousal benefit can be up to half your eligible spouse's Social Security retirement benefit amount, depending on your age at retirement.

- **The SSA determines your Social Security retirement benefit**—This calculation is based on your work records and compares it against what your spouse qualifies for.
- **If your personal Social Security retirement benefit is greater than 50% of your spouse's Social Security retirement benefit**—You'll receive your regular Social Security retirement benefit and no spousal benefit.
- **If your personal Social Security retirement benefit is less than 50% of your spouse's Social Security retirement benefit (even if you don't qualify for a Social Security retirement benefit)**—You'll receive a spousal benefit to bring your total benefit up to 50% of your spouse's amount.

Note that spousal benefits aren't automatic—you need to apply to the SSA to receive them. Also, spousal Social Security retirement benefits are reduced if you haven't reached full retirement age unless you're caring for a child who's under 16 or disabled.

For more information and a quick calculation, see the SSA's ["Benefits for Spouses."](#)



# What's deducted from my Social Security checks?

Depending on your tax filing status and amount of income, you may owe taxes (federal and any applicable state taxes) on your Social Security retirement benefits. You can arrange to have these taxes withheld from your Social Security retirement deposits; in addition, some retirees choose to have Medicare premiums deducted as well. This is a convenient way to pay your taxes and government medical premiums—just be sure to keep it in mind when figuring your monthly retirement cash flow.

## **How will wages affect my Social Security retirement benefits?**

The government does allow you to receive Social Security retirement benefits while you're working; however, if you earn more than certain dollar thresholds determined by the SSA, your Social Security retirement benefits may be temporarily reduced. The chart on the following page shows how your working age and wages could limit the Social Security retirement benefit you qualify for in 2022. Note that once you reach your full retirement age, you're free to earn what you want without lowering your benefits.



## How wages affect Social Security retirement benefits

If you're ...	You can make up to ...	If you earn more than the specified dollar threshold, some benefits will be temporarily reduced
Under full retirement age for the entire year	\$19,560 per year	\$1 for every \$2 you earn
In the year full retirement age is reached	\$51,960 per year before the month of full retirement age	\$1 for every \$3 you earn
In the month full retirement age is reached or later	No limit	No reduction

Source: "[How Work Affects Your Benefits](#)," ssa.gov, 2022. Dollar thresholds listed are for 2022.

Note that if some of your retirement benefits are reduced because of your earnings, your benefits will be increased starting at your full retirement age to consider those months in which your benefits were reduced.

## How are federal income taxes calculated on Social Security?

The taxable portion of your Social Security retirement benefits can range from 0% to 85%, depending on what the SSA defines as your yearly combined income. Specifically, this includes your modified adjusted gross income, 50% of your Social Security retirement benefits, and any tax-exempt interest you receive over the course of a year.

The chart below reflects federal taxation in effect for 2021 Social Security retirement benefits.

Filing status	Combined income limits	Potential income tax on your Social Security retirement benefit
Married, filing jointly	<\$32,000	0%
	\$32,000–\$44,000	50%
	>\$44,000	85%
Single	<\$25,000	0%
	\$25,000–\$34,000	50%
	>\$34,000	85%

For more details, see the IRS's "[Publication 915 \(2021\), Social Security and Equivalent Railroad Retirement Benefits](#)" and the SSA's "[Income Taxes and Your Social Security Benefit](#)."



# An important additional benefit— cost-of-living adjustments

Each year, the SSA assesses whether cost-of-living adjustments (COLA) may be added to the following year's benefit payment based on inflation. Social Security retirement benefits are reviewed for adjustment based on changes in the Consumer Price Index (CPI)—a widely accepted measurement of the U.S. inflation rate—if certain factors apply to you.

These adjustments are generally announced each year in October and go into effect the following January. For example, on October 13, 2021, the SSA announced a 5.9% COLA effective for Social Security retirement benefits payable in 2022 (an increase from 2021's COLA of 1.3%). Interestingly, based on the latest CPI, [the Senior Citizens League estimates the COLA for 2023](#) to be 10.5%. The actual COLA for 2023 will be determined in October 2022 and may be lower or higher than the Senior Citizens League's COLA estimate based on the CPI at the determination date).

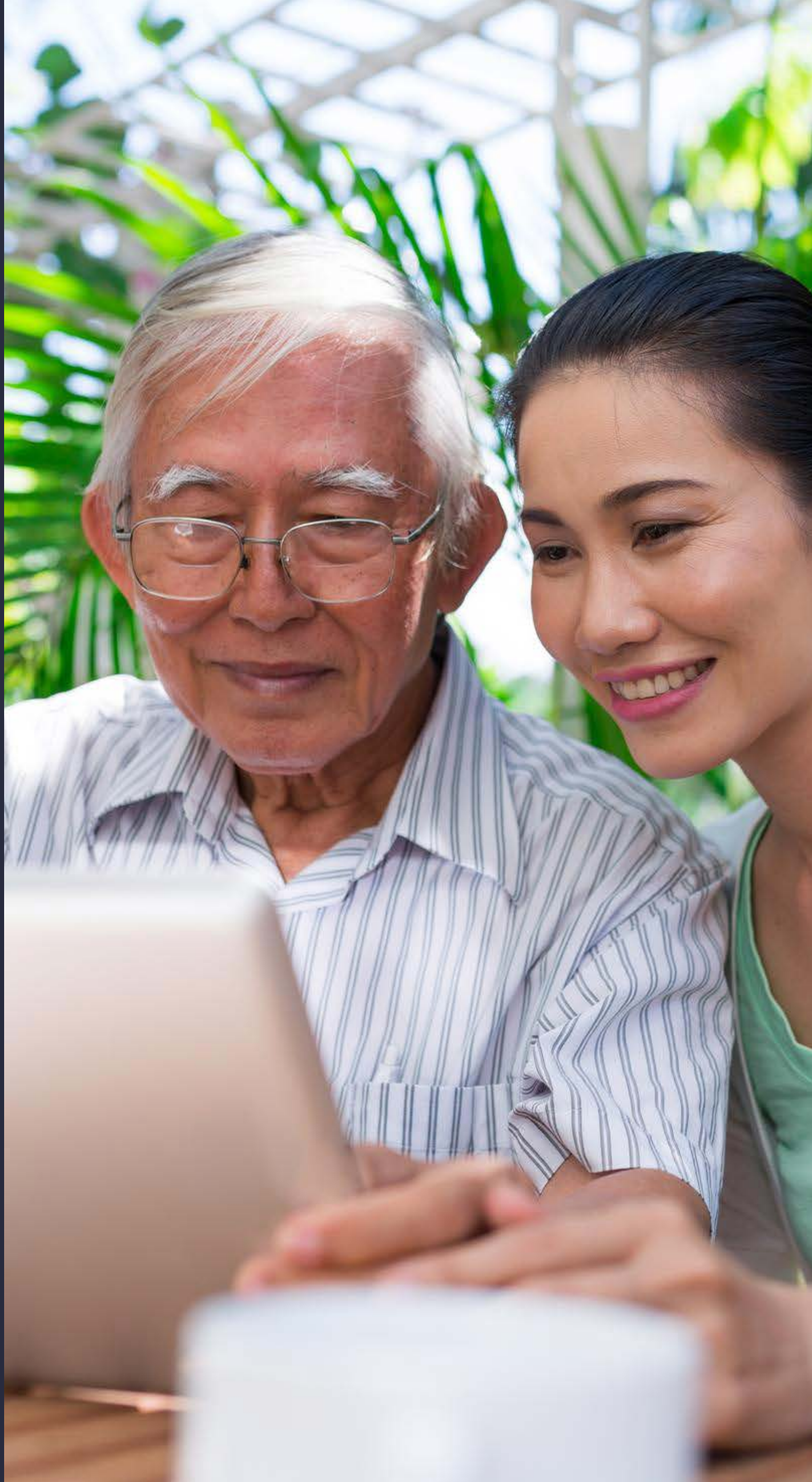
## What has the Social Security COLA been in the past?

Year	COLA (%)
2012	1.7
2013	1.5
2014	1.7
2015	0.0
2016	0.3
2017	2.0
2018	2.8
2019	1.6
2020	1.3
2021	5.9

Source: "[Cost-of-Living Adjustments](#)," ssa.gov, 2022.

### COLA can boost delayed retirement benefit amounts

If you choose to delay your Social Security retirement benefits past your full retirement age, you can receive an increased retirement benefit by a certain percentage based on your year of birth. The increase will apply automatically for each month from your full retirement age until you start taking your retirement benefit or reach age 70, whichever is earlier. Your delayed retirement benefit will reflect any COLA applied during your delay period.

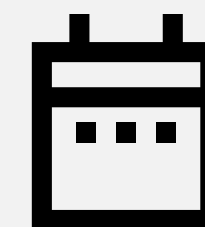


# Tools to help you stay on top of your Social Security eligibility and prepare to file

The SSA makes it easy to estimate and plan for your government retirement benefits.

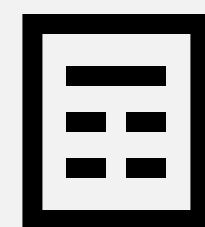
## [Retirement age calculator](#)

Compares retirement benefit estimates based on date or age you selected to begin receiving benefits



## [Retirement estimator](#)

Gives estimates based on your Social Security earnings record





## When and how to apply for Social Security retirement benefits

You need to be at least age 62 for an entire month before you can qualify for Social Security retirement benefits. And you can apply up to four months before you'd like your benefit payments to begin.

The SSA's website includes [a full list of the documents you'll need](#) to complete your application, including personal information and details about your work history.

There are three ways to apply for your Social Security retirement benefits:

- 1** Apply at [ssa.gov](https://ssa.gov).
- 2** Apply at your nearest [SSA field office](#).
- 3** Call 800-772-1213 (TTY 800-325-0778).



## Is retirement on your horizon?

For more planning resources, look for the **Achieving retirement balance** tile at [myplan.johnhancock.com](https://myplan.johnhancock.com).



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