

Optimizing Social Security Strategies

Introduction - The Social Security Administration (SSA) recently announced a cost-of-living adjustment (COLA) of 2.8% for Social Security claimants starting in January 2026. Whether you're close or far away from retirement, there's never a better time to start planning your optimal Social Security strategy. Every person who has worked 40 quarters, a minimum of 10 years of work that paid Social Security taxes, has access to full Social Security benefits. For many retirees, this is the foundation of their retirement income. However, many don't realize there could be more analysis needed to optimize those benefits that you've worked so hard to earn. By working with a financial planner and leveraging modern financial planning tools, you can identify the optimal Social Security strategy for your specific situation. Optimizing Social Security strategies can significantly impact lifetime income, survivor income, and tax liability.

Optimize the Age You Claim Benefits – Not considering disability, you can claim Social Security benefits as early as 62; however, you will receive reduced benefits, as much as 25-30% less than full retirement age (FRA), and this reduction is permanent. You can claim at FRA, which is 67 for those born in 1960 and later, or as late as 70, the maximum age where there are no further benefits to delaying. You can increase your payments by 8% for each year you delay benefits beyond your FRA up to 70. But delaying benefits until age 70 may not be the optimal or practical strategy for all, other factors and analysis need to be considered:

- Your family history, health status, and longevity projections.
- A break-even analysis will identify when delaying benefits becomes more profitable coupled with how much longer you would need to live to make this an optimal strategy.
- Your cash flow needs and the availability of other income sources.
- Spousal and survivor benefit coordination.

Coordinate Spousal and Survivor Benefits – The latter factor deserves its own analysis to model how spousal, divorced spousal, and survivor benefits all interact. Such analysis can help with decisions, such as:

- The timing of when both spouses' claim benefits to maximize the lifetime household income.
- Ensuring that the higher-earning spouse delays benefits, if possible, to increase survivor income.
- Advising divorced clients, if married 10 years or more, on eligibility for divorced spousal benefits.

Manage Taxes on Social Security Income – Depending on the amount of your total retirement income, and considering many individuals continue to work through retirement, up to 85% of your Social Security benefits could be taxable. A financial planner can help mitigate your tax liability by:

- Managing your provisional income through Roth conversions before claiming benefits. For example, using a Roth conversion strategy between the age you retire and 70 can help reduce your future required minimum distributions (RMDs) that would have made your Social Security benefits taxed at a higher rate.
- Drawing retirement income from taxable, tax-deferred, and tax-free accounts in a tax-efficient manner.
- Timing retirement income withdraws, including RMDs and Qualified Charitable Distributions (QCDs), to minimize your tax liability.

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Address Special Situations – There are unique and special circumstances where a planner can guide clients through complex cases, such as:

- Certain federal, state, and local government employees may be on a pension system that did not pay Social Security taxes on their income, this prevents them from receiving full Social Security benefits. These benefits are reduced by two special provisions, the windfall elimination provision (WEP), applies to your own benefits, and the government pension offset (GPO), which applies to spousal and survivor benefits.
- Divorced or widowed clients may be eligible for benefits based on their ex- or deceased spouses' record.
- An earnings test for retirees who continue to work while claiming Social Security benefits can identify income levels where your tax liability increases. Planning around these thresholds can help mitigate taxes and make better informed decisions.
- Dependent or disabled child benefits. For example, a younger widow who may not qualify for survivor benefits at this time, but has dependent children, may be able to claim benefits for each dependent child (age restrictions apply).

Example Scenario - At NovaPoint we can utilize a full comprehensive financial planning strategy where Social Security is just one aspect of your financial landscape, or if you just need a targeted solution before claiming benefits, we can offer a quicker but tailored Social Security optimization strategy that fits your specific needs and budget.

To highlight an example of a tailored Social Security optimization strategy, we've created a scenario of a pre-retiree couple aged 57 and 60, who are investment clients that just need help with when and how to claim their Social Security benefits. By delaying the higher earning spouse's benefits until age 70 and the other spouse claiming benefits at 69, they can earn \$775,500 more in lifetime Social Security income compared to their initial plan. The analysis shows a break-even point of age 81 for this strategy to be optimal. Check out the [sample report here](#).

Final Thoughts - A personalized approach always yields the best results. Social Security income is not a standalone feature, a financial planner integrates this with an overall income strategy, considering other pensions, annuities, retirement savings, appreciable assets, and possible inheritance sources. Withdrawal sequencing, inflation protection, and risk and estate planning are also considered when evaluating your optimal Social Security strategy. Lastly, it's never too early to start this planning and then review and adjust as laws, taxes, and life circumstances change.

At NovaPoint, our investment, wealth management, and tax experts can help advise you on your optimal Social Security strategy that will ensure you optimize your lifetime income while mitigating your tax liability. If you want a trusted fiduciary partner to help manage your retirement income along with your future financial goals, [contact us here](#).

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