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RETIRING

7 of Your Most Burning Questions on Social Security (With Answers)

Readers asked. Here are our replies.

By Mark Miller

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People have lots of questions about Social Security: Will it still be around when I retire? How much will I get? How does the spousal benefit work?

That's not surprising.

No government program is more important to so many Americans. This year, Social Security is expected to pay $1.1 trillion to 69 million recipients of retirement and disability benefits and Supplemental Security Income. Nearly all Americans pay into the program and can expect to receive a benefit at some point in their lives. And it is the largest retirement income source for a majority of older households.

The New York Times recently invited readers to submit their questions about Social Security. Today, we're responding to some of the most frequent ones.

Is Social Security financially secure? Should people in their 60s who can afford to wait to claim benefits wait until they can get the highest monthly benefit, or should they consider signing up now because the program may not be there in 20 years?

In the years ahead, Social Security does face a financial shortfall that requires action by Congress. The combined trust funds for Social Security's retirement and disability programs are on course to be depleted in 2035; without changes, funding from payroll tax receipts will be sufficient to pay only 80 percent of currently scheduled benefits.

That would mean immediate, across-the-board benefit cuts, but the pain would be felt most acutely by today's younger workers and low-income retirees.

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"If policymakers don't address Social Security's finance gap by 2035, all Gen Xers and millennials would experience the cuts throughout retirement," notes Richard W. Johnson, director of the program on retirement policy at the Urban Institute. "An additional one-third of retirees could end up in poverty."

The shortfall stems primarily from the retirement of baby boomers combined with the slow growth of the labor force, which reduces the ratio of workers paying into the system and beneficiaries. Rising life expectancy also plays a role; so does rising inequality in worker earnings.

When Congress last adjusted the cap on wages subject to the payroll tax in 1977, the intent of lawmakers was to cover 90 percent of all wages. But wages above the cap have grown more quickly than the average wage, so the cap (set this year at $132,900) now covers only 83 percent of wages, reducing taxes flowing into the system.

The projected shortfall is an understandable source of worry, considering the importance of Social Security to most households. But it has no practical, short-term impact on benefits, says Paul Van de Water, senior fellow at the Center on Budget and Policy Priorities. And he thinks the odds of reaching the 2035 doomsday scenario are slim.

"Given the strong public support for the program, it is inconceivable that Congress won't step in sometime before 2035 and put things on an even keel," he says. "It's a source of concern, but not something to lose sleep over."

Congress could put Social Security back into financial balance with new tax revenues, benefit cuts or a combination of both. The Democratic-controlled House is advancing a plan that would put Social Security back into balance over the next 75 years by increasing payroll tax rates by 0.1 percentage point annually through 2043, reaching 14.8 percent for that year and later. The bill also would apply payroll taxes to earnings over $400,000, starting in 2020. The bill would expand benefits modestly.

The legislation, sponsored by Representative John B. Larson, Democrat of Connecticut and chairman of the Ways and Means Social Security Subcommittee, has 211 co-sponsors in the House.

Could you provide a full explanation of "spousal benefits" for living spouses, and for widows, widowers and divorced people?

The spousal benefit is available to couples who have been married at least one year. It allows one partner to claim a benefit as high as 50 percent of the benefit at full retirement age of his or her spouse — so long as that spouse has already claimed benefits. That requirement often trips up people hoping to generate some income while the higher-earning spouse puts off claiming benefits to earn delayed retirement credits.

"It's one of the most misunderstood things that we see," says Elaine Floyd, director of retirement and life planning for Horsesmouth, a firm that trains financial advisers.

If you claim a spousal benefit at your own full retirement age, the benefit will be equal to 50 percent of your spouse's benefit. You can claim a spousal benefit as early as age 62, but your benefit will be reduced for early claiming.

If you are entitled to a spousal benefit when you file, in most cases you must file for both your own and your spousal benefit simultaneously. You'll be paid your own benefit first; a spousal benefit amount will be added if your own benefit is less than half of your spouse's total. Filing means that you will no longer accrue delayed retirement credits.

People born before Jan. 2, 1954, can still file for a "restricted claim" of only their spousal benefit. They were grandfathered into rules in place before passage of the Budget Act of 2015. This provision allows them to receive a spousal benefit while building delayed retirement credits on their own account, until age 70.

In most cases, widows or widowers can receive a survivor benefit when a spouse dies, providing they were married at least nine months at the time of death. The survivor benefit is equal to 100 percent of the deceased spouse's benefit.

Many divorced people are surprised to learn that they can file for a spousal benefit on the record of an ex-spouse. To qualify, you must be single and have been previously married to your ex at least 10 years. You also cannot be receiving a benefit greater than your divorced spouse's benefit. If the ex is 62 or older and the divorce occurred over two years earlier, the ex does not need to have filed for his or her benefit.

Eligibility for an ex's benefit is lost if you remarry, and you can't file for benefits on your new spouse's earnings record until you've been married to that person at least one year.

If your ex-spouse is deceased, you may be able to claim a divorced-spouse survivor benefit. The rules are basically the same except that you can be remarried as long as you remarried after age 60.

Spousal benefits were made available to same-sex married couples after the landmark 2013 Supreme Court decision striking down key provisions of the Defense of Marriage Act.

Do Social Security benefits last your lifetime?

Yes — benefits are paid as a monthly annuity, and they are adjusted for inflation each year.

"Not only is it the cheapest annuity that you can buy, but it is very difficult to find an annuity of any kind that is adjusted for inflation," says Dirk Cotton, a retirement researcher. "That makes Social Security extremely valuable."

Why do most articles about Social Security push the idea of waiting until you're 70 to claim and don't mention the "break even" calculation that would help you decide whether to claim earlier?

The break-even age is a very common method for deciding when to claim. This is the age in the future when, if you started claims at different ages, your accumulated benefits would be equal. Starting benefits early works to your advantage if you don't live to the break-even age; you also come out ahead by delaying benefits and then living beyond the break-even point. The losing outcome is delaying benefits and dying before reaching the break-even age.

Here's how claiming ages affect benefit amounts. Social Security starts by taking into account your 35 years of highest wages, and translates this into something called the primary insurance amount (P.I.A.). If you wait until the current full retirement age of 66, you will receive 100 percent of P.I.A. If you start at 62 (the earliest opportunity), you will receive a reduced benefit for the rest of your life — 25 percent lower. By waiting past full retirement age, you would get the delayed retirement credit, which is 8 percent for each 12-month period that you delay. The credits are available until age 70.

Andy Landis, a Social Security expert and the author of "Social Security: The Inside Story," refers to break-even as the "money ahead" date.

For a claimant with a full retirement age of 66 who files at 62, Mr. Landis calculates that her money-ahead age is 78 — that is, she will be ahead in lifetime benefits until age 78; at that point, a person with the same P.I.A. who waits until full retirement age will catch up with her. After that, the later filer is ahead for the rest of her life.

If the same woman files at 66, her money-ahead age is 82.5 — after that age, someone who waits until 70 to file is ahead permanently. (Mr. Landis's examples assume inflation-adjusted dollars and exclude any taxation of benefits.)

But many experts argue that break-even is not the best way to decide when to claim, because of Social Security's value as an inflation-adjusted guaranteed source of lifetime income.

"None of us who are healthy have any idea when we'll die," Mr. Cotton says. "So it's not a good way to make the decision, unless you have a really good reason to think you won't live at least 18 years."

You can run your own numbers using the tables and calculator on the Social Security website.

I am 68, and my Social Security benefit amount is lower than my husband's because I stayed out of the work force for five years to raise my children — even though he worked fewer years and earned less over all than I did. Has there been any progress in raising benefit amounts for people in my situation?

The responsibility of caring for children, elderly parents or other relatives remains a key reason that women tend to work fewer years than men. That reduces their income from Social Security, pensions and savings.

Caregiver credits are applied by the retirement programs of many industrialized nations, including Britain, Sweden and Germany. In the United States, lawmakers and policy experts have proposed a variety of remedies. One would allow caregivers to exclude more years from the P.I.A. formula; allowing caregivers to exclude five years would increase their benefits. Other plans would provide wage credits to caregivers.

"It would be an imputed income amount for the years when you were providing caregiving," says Nancy Altman, president of Social Security Works, an advocacy group, and a member of the Social Security Advisory Board, an independent bipartisan government agency. "This definitely is an issue that has come to the attention of policymakers, and doing something about it has broad support. The question is when we will see some action on it."

How much of my Social Security income will be taxed?

For lower-income retirees, Social Security usually is tax free, while higher-income seniors pay taxes on a sliding scale. No more than 85 percent of your benefit is taxable.

To determine if your benefit is taxable, add up your gross income, nontaxable interest income and half of your Social Security benefit. If that number exceeds $25,000 (for individuals) or $32,000 (joint filers), some portion of your benefit is taxable. For details, see the instructions for completing lines 5(a) and 5(b) of Form 1040 in the Internal Revenue Service's guide.

I own my own business. Is it possible for me to "pay into" Social Security?

Assuming you are paying self-employment taxes, you already are contributing. The self-employment tax, paid in lieu of the payroll tax that employers split with employees, is 15.3 percent, with 12.4 percent going to Social Security and 2.9 percent to Medicare.

Self-employed people pay double the rate that they would as employees, but can deduct half the cost from income taxes when they calculate their adjusted gross income.

Business owners who are incorporated pay Social Security taxes as employees. More information is available from the I.R.S.

Correction: *Aug. 4, 2019*

An earlier version of this article referred imprecisely to the way a spousal Social Security benefit is calculated. The benefit can be as high as 50 percent of a spouse's benefit at full retirement age, not 50 percent of the spouse's benefit.

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