

Social Security Myths - Transcript

Tom Mullooly: Hey. We're glad you're tuned in because in episode 169, we're going to be talking about some fake news surrounding Social Security. Stick around.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly and this is episode number 169. We get questions a lot about Social Security. We deal with a lot of folks who are about to retire or thinking about retiring and so Social Security is a topic that comes up all the time. It could be, for some people, a significant chunk of their monthly income, especially if they're not getting a pension. So there's a lot of misunderstandings or myths going around. And so we just wanted to chip away at a few of these today.

So the first one is that your benefits, your monthly benefits, are calculated based on all the wages you earned before age 65. This is not accurate. In fact, it's not even true. The benefits are based on the highest 35 years of income. Now think about that. So if you have a pension, sometimes it'll say, "Oh, it's based on the highest three years before you retire." The Social Security is the highest 35 years before you retire. So you may have a break in the action where you're not working, that may or may not impact your Social Security benefits down the road.

Next one we hear a lot is, the earlier you claim, the better. That is wrong in almost every single case. Waiting until full retirement age gives you 100% of what's coming to you, what's yours. We go through calculations with folks all the time on this. If you take it at age 62 versus waiting until full retirement age, or deferring until age 70 if you can swing it, taking that check up front at age 62, it's a big hair cut. Only take it if you really, really need the money. We discourage people from taking that discounted number at age 62, most of the time.

Another one we get is, "Well, Social Security income won't be taxed." This is not true in many, many cases. Not all of them, but in many, many cases. Another one that we get is, "Hey, if you get divorced, I heard that your benefits will go down," that's not true, but it kind of depends. If you're 62 years old and you've been married to your now ex-spouse for 10 years or more, your benefits can be based on your ex-spouse's income if that's higher than yours.

So these are questions that come up all the time. We encourage people to reach out to us, whether it's through a phone call or email, when they've got questions about Social Security. We're happy to take the lampshade off the guy at the party who doesn't know what they're talking about. We'd be happy to share that information with folks. It's readily available.

Thanks for tuning in to episode 169 and we'll see you on the next one.