What Type of Social Security Benefit Is Best for You?

Social Security is an important source of income for most retirees. According to the Social Security Administration (SSA), one in every six U.S. residents collected Social Security benefits last year.[1] But understanding which Social Security benefits you qualify for and how they play into your financial future can be a challenge.

Factors That Influence Your Benefit

Different types of Social Security benefits are intended for specific circumstances and have complex qualification criteria.

To understand what benefits you qualify for and the amount of money you'll receive, you need to know how many Social Security credits you've earned during your career. The SSA counts these credits based on wages or self-employment income reported on your taxes. For example, in 2021, every $1,470 made earns one Social Security credit.[2] You can earn a maximum of four credits per year.

Another factor that influences the amount of benefit you'll get is full retirement age. Full retirement age is the age at which you can receive your full retirement benefits. Collecting benefits before you reach full retirement age results in a lower benefit amount overall. Your full retirement age will vary depending on when you were born.

Types of Social Security Benefits

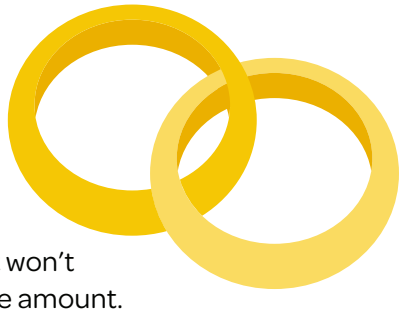
Here are some general guidelines to give you an idea of what benefit options might be available to you.

Retirement Benefits

The majority of social security recipients in the U.S. receive retirement benefits. To qualify, you need to have earned at least 40 Social Security credits—the equivalent of 10 years of work for most people.[2]

The SSA calculates the amount of money you receive based on your earnings throughout your career. Generally speaking, the more you've earned, the bigger the benefit (at least up to a certain amount). Additionally, if you claim benefits at age 62—the earliest you possibly can—your benefit will be lower than if you wait until full retirement age or until you reach age 70, whichever comes first.[2]

Spousal Benefits



Your spouse is entitled to up to 50 percent of your full retirement age amount. If your spouse is entitled to their own retirement benefits, the SSA will pay those first. The remaining benefit will be a spousal benefit. When combined, they equal 50 percent of your full retirement age amount.

This assumes that your spouse waits until full retirement age to take their benefit, which is when spousal benefits begin. If your spouse files for their benefit early, your spousal benefit will also be reduced. If your spouse delays filing, their spousal benefit won't increase like their retirement benefit—it will stay 50 percent of your full retirement age amount.

A former spouse may also qualify. Qualifications for this can be found on the Social Security Administration website.

Children may also qualify to receive up to half of your benefit if they're under age 18, under age 19 and attending high school, or an adult that was disabled before age 22.

Survivor Benefits

The Social Security Survivor benefit offers support for your spouse and children after you pass away. Parents and former spouses sometimes qualify as well.

The survivor benefit consists of one payment between $225-$255, as well as monthly benefits.[2] There are many factors that affect the benefit amount, including the number of Social Security credits you have, your relationship with the beneficiary, how long you've worked, and more.

Disability Benefits

The Disability benefit covers people who can't work because of a medical condition that's expected to last over a year or result in death.

The disabled worker is typically the beneficiary, but in some cases, the worker's family may also qualify.

Using Social Security Benefit Calculators

The SSA provides useful online tools that estimate different types of benefits based on your Social Security earnings record and other factors.

While helpful, these calculators aren't precise. You won't receive an exact benefit amount until you apply because your benefit can change due to future earning fluctuations, cost-of-living adjustments, and regulation changes.

Bottom line: Social Security is a benefit you have paid into, so despite the complexity, you want to understand your options and the best fit for you. Reach out to a trusted professional if you have questions.

Sources

1. "Policy Basics: Top Ten Facts about Social Security." Center on Budget and Policy Priorities, 2020. August 13. https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security.
2. "Understanding the Benefits." Social Security Administration, 2021. January 1. https://www.ssa.gov/pubs/EN-05-10024.pdf.