"Achieving Successful Outcomes"

Compound Interest

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GETTING INTO THE WEEDS: SOCIAL SECURITY CONSIDERATIONS

Understanding how the Social Security system works at the margins can help you make better decisions, especially in situations that involve continued work, unexpected disability, or concern about the program's long-term stability.

Working Benefits: One question that often comes up is whether you can still work while receiving Social Security. The answer is yes, but there are important rules to consider, especially if you claim before your full retirement age (FRA). In 2025, if you are under FRA and earn more than $23,400, your benefits are temporarily reduced by $1 for every $2 over the limit. These benefits are not lost, they are added back into your benefit calculation at FRA, often resulting in a higher ongoing payment. If you are still earning, working part-time, or phasing into retirement, this "earnings test" may not be as punitive as it seems. Once you reach FRA, you can work and earn any amount of income without it reducing your Social Security benefits.

Disability Benefits: Disability benefits also deserve mention. Social Security Disability Insurance (SSDI) provides income to individuals who can no longer work due to disability before reaching retirement age. SSDI is based on your earnings history and can offer meaningful support, especially for those with dependents who may also qualify for auxiliary benefits.

Survivor Benefits: Survivor benefits are a key element of the Social Security system and often underappreciated in planning conversations. A surviving spouse may be eligible to receive a benefit equal to the decedent spouse's full retirement amount, and survivor benefits can be claimed independently of one's own retirement benefits. Widows and widowers can file for survivor benefits as early as age 60 (earlier if there are dependent children or disabilities involved) and switch to their own benefit later. This flexibility can have a significant impact on lifetime income, especially for couples who coordinate their claiming decisions, for instance, having one spouse file for survivor benefits early while delaying their own retirement benefit to receive a larger amount later.

Divorce Considerations: It is important to note that if you were married for at least 10 years and are now divorced, you may be entitled to claim on your ex-spouse's record without affecting their benefits or them being notified. The Social Security office can estimate your options if you provide documentation. Keep in mind that filing before FRA reduces the spousal benefit permanently and that spousal benefits cap at 50% of your spouse's FRA amount. If your own benefit is higher that is what you will receive and you do not get both.

Solvency: Some clients also worry about the long-term solvency of the Social Security system. Without legislative action, projections suggest the trust fund may be depleted by the mid-2030s, triggering a potential 20% reduction in benefits. But it's important to keep this risk in context. Reforms are likely to occur before reductions are implemented, and even if they are not, a reduced benefit still provides inflation-adjusted lifetime income. In this way, Social Security acts as a form of longevity insurance – guaranteed income for life – no matter how long that may be.

According to the 2025 Trustees Report, the Social Security Administration is projected to pay full benefits through 2033. After that, without legislative action, the trust fund reserves are expected to be depleted, resulting in an estimated 77% of benefits being payable, supported primarily by ongoing payroll taxes. Over a 74-year horizon, that coverage could decline to roughly 69%. While these figures are cause for attention, they suggest the system is more likely to be strained than insolvent. In short, Social Security is not going bankrupt, but adjustments will likely be necessary. Proposed reforms span from raising the payroll tax rate (currently 12.4%) or lifting the income cap on taxed wages, to adjusting the cost-of-living formula, raising the full retirement age, or taxing additional income sources. The bottom line is that Social Security's challenges are real, but so are the tools available to fix them. For investors with diversified portfolios and proactive planning, the system remains a reliable, if evolving, component of long-term retirement income.

In sum, while Social Security may only represent a portion of total retirement income for most of Crawford's clients, it can still add meaningful value when incorporated wisely alongside an investment program focused on appreciation and growing income. Whether you continue working, experience a health change, lose a spouse, or see policy evolve, the system provides options. Thoughtful planning around these options alongside a sound investment program is one of the ways we help clients prepare for the expected and the unexpected in retirement.