

Social Security's (SS) calculation monthly benefit

Starting at age 62, SS annually calculates your monthly SS benefit (Primary Insurance Amount or PIA) at your Full Retirement Age (FRA), the month you turn 67. Your PIA is based on your average monthly wage from your best 35 work years. Wages in prior years are adjusted for inflation.

You get less or more than your PIA at age 67, 0 months depending on when you start SS. I'll use the example that your SS benefit is \$3,000/month at your age 67.

== Benefit decreases of \$12.50 or \$16.67 per month or an increase of \$20.00 per month ==

For the 36 months before age 67 (your age 64 to 67), SS reduces your monthly benefit by 5/9% of your PIA: \$16.67/mo. in our example. At age 64, 36 months before age 67 your monthly benefit is \$600 less (36 * \$16.67) or \$2,400/mo. Your benefit at age 64 is 80% of \$3,000.

For the 24 months before age 64 (your age 62 and 63), SS reduces your benefit by 5/12% of your PIA: \$12.50/mo. in our example. At age 62, your benefit is another \$300/month less (24 * \$12.50) or \$2,100. Your benefit at age 62 is 70% of \$3,000.

For the 36 months after age 70, SS increases your benefit by 2/3% of your PIA: \$20/mo. in our example. At age 70, your benefit is another \$720/month more or \$3,720. Your benefit is 124% of \$3,000.

Stated differently: the increase in monthly in benefit is \$12.50 for ages 62 and 63. At age 64, it bumps up 33% to \$16.67. At age 70, it bumps up again by 20% to \$20.00.

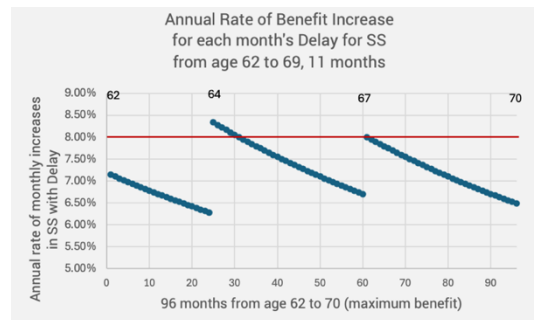
Three periods with fixed monthly increases in benefits from delay

Ages 62 and 63 (24 mos)
Ages 65 to 67 (36 mos)
Ages 67 to 70 (36 mos)

== The financial gain from delay declines for the three periods ==

The dollar increases in benefit are the same for each month in a period. The percentage increase from delay – the simple, not compound, financial return rate for delay – declines each month.

I'll use the example of \$3,000 PIA the month you turn 67. You could delay to the next month and get \$20 more per month. Your monthly increase from delay is 0.667% (\$20/\$3,000) or an annual rate of 8.00%.



You delayed. Next month you could start SS and get \$3,020. You could delay to the next month and get \$20 more. Your monthly increase for that delay is 0.662% (\$20/\$3,020) or an annual rate of 7.95%.

This repeats for 34 months. At age 69, 11 months you could get \$3,700. You could delay to the next month and get \$20 more to your maximum benefit. Your monthly increase for that delay is 0.541% (\$20/\$3,700) or an annual rate of 6.49%. Your breakeven age for that delay is 95.

From age 67 to 70, your BE age is at least to your mid 80s

Age you turn	BE years	BE age
62	21	83
63	24	87
64	17	81
65	19	84
66	21	87
66,11 months	24	91
67	18	85
68	20	88
69	23	91
69,11 months	25	95