How Big Is the Average Social Security Check?



Todd Campbell January 31, 2016

The amount Americans can collect in Social Security income varies widely. Here's how Social Security income is calculated and what most people receive.

If you're coming up on retirement, one of your big questions is how much money you'll get from Social Security.

The Social Security Administration knows that's at the top of many minds, and as a result, it reports that the average monthly Social Security payment to retired workers will be \$1,341 in 2016.

However, averages are deceiving because they can be skewed by people who get a lot or a little in Social Security income. For that reason, it may be more useful to learn how Social Security calculates a retiree's benefit payments and what current Social Security recipients are typically collecting in Social Security income.

Calculating Social Security benefits

Social Security benefits are determined using a specific calculation that adjusts your income history -- up to specific annual limits -- into current dollars. This amount is known as indexed earnings.

After Social Security calculates an individual's annual indexed earnings, the highest 35 years of them are added up and that number is divided by 420, which is the number of months in 35 years. The resulting amount is known as a person's average monthly indexed earnings.

Once Social Security has an individual's average monthly indexed earnings in hand, it then breaks that figure down into pieces and uses a multiplier to estimate an individual's monthly benefit.

For example, a person who was born in or after 1954 would multiply the first \$856 in indexed monthly earnings by 90%, any amount between \$856 and \$5,157 by 32%, and any amount above \$5,157 by 15%. Once those calculations are done, the resulting numbers are added together and rounded down to the nearest dollar. That sum is a person's estimated monthly retirement benefit at full retirement age.

Taking the guesswork out of it

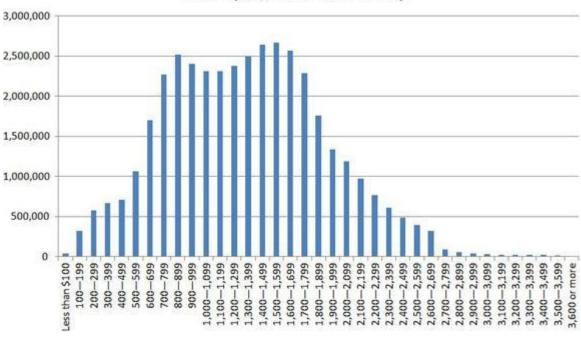
That's a pretty complex formula, but the Social Security Administration doesn't make those of us who are numerically challenged calculate the numbers ourselves.

Instead, Social Security provides a <u>handy calculator</u> on its website that individuals can use to get a rough estimate of their benefits. They also provide login access on their website so that people can see their specific retirement information, too.

Digging into data

Although the average Social Security check amounts to an annual Social Security income of about \$16,000, the complexity of the calculation suggests it's unlikely to be paid that exact figure. In reality, the amount people receive in Social Security income varies widely.

For example, the following chart shows the breakdown of how many retired workers receive a specific range of Social Security income as of December 2015. Most people collect between \$700 and \$1,800 per month in Social Security payments.



Total retired worker beneficiaries, all ages, by benefit levels (\$'s/December 2015)

Source: Social Security Administration.

Getting a bigger check

There a couple of options available to you that can lead to a bigger Social Security check when you retire.

First, high-income earners who are approaching retirement might want to keep working a few more years, because current high-income-earning years will displace low-income-earning years when Social Security picks the top 35 earning years to run its retirement benefit calculation.

Secondly, you can delay taking Social Security beyond your full retirement age and benefit from a larger payout until age 70. For example, people born in 1960 or later have a full retirement age

of 67, and if they delay taking their Social Security until age 70, then their monthly Social Security check will equal 124% of the amount they would have received at age 67.

The \$15,978 Social Security bonus most retirees completely overlook

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known "Social Security secrets" could help ensure a boost in your retirement income. In fact, one MarketWatch reporter argues that if more Americans knew about this, the government would have to shell out an extra \$10 billion annually. For example: one easy, 17-minute trick could pay you as much as \$15,978 more... each year! Once you learn how to take advantage of all these loopholes, we think you could retire confidently with the peace of mind we're all after.