

# The Role of Social Security

## IN YOUR RETIREMENT INCOME PLAN

---

For many of us, Social Security feels like a reward for decades of hard work. But as you move into retirement, it's best to view it as the foundation of your income, not the entire structure.



In 2026, benefits are increasing by 2.8% due to the annual Cost-of-Living Adjustment (COLA).<sup>1</sup> While this average boost of about \$56 per month is helpful, it underscores a vital reality: Social Security is designed to replace only about 40% of an average worker's pre-retirement earnings. To maintain your lifestyle, you'll likely need to bridge the gap to reach 70% or 80% of your previous income using other sources.

Here we'll show you how to maximize your monthly check, protect your benefits from unnecessary taxes, and build a "retirement paycheck" that stays reliable no matter what the market does.

## Time Your Benefits: The 8% Opportunity

The most actionable decision you can make regarding Social Security is timing. While you can technically start your benefits as early as age 62, "early" comes with a permanent price tag. In 2026, the Full Retirement Age (FRA) is officially 67 for anyone born in 1960 or later.<sup>2</sup>

- **The Cost of Early Filing:** If you turn 62 in 2026 and claim immediately, your monthly check is reduced by 30% for life.
- **The Reward for Waiting:** For every year you delay past your FRA (up to age 70), your benefit increases by approximately 8%. In a world of market volatility, a guaranteed 8% annual "return" is one of the most powerful financial moves available to you.

If you are still working and are under your Full Retirement Age, be mindful of the earnings limit. You can earn up to \$24,480 this year before the SSA begins temporarily withholding \$1 in benefits for every \$2 you earn over that limit.<sup>3</sup>

## Ways to Fill the Income Gap

If Social Security is the foundation of your retirement, these additional income sources are the walls and roof that complete the structure. The goal is to create a "retirement paycheck" from other sources that is just as reliable as your monthly check from the government.

In 2026, savers have more opportunity for this than ever before. IRA contribution limits have risen to \$7,500 (plus an \$1,100 catch-up for those 50+), and 401(k) limits are now \$24,500.<sup>4</sup>

Here are the three most common ways to bridge that 40%–60% gap:

### The "Personal Pension" (Annuities)

For many, the biggest stress in retirement is outliving their money. Certain types of annuities allow you to "buy" your own pension, providing a guaranteed stream of income that continues for as long as you live. This can be a perfect match for covering fixed "must-pay" bills like property taxes and insurance.

### The Growth Engine (Investment Portfolios)

With the 2026 COLA of 2.8% being partially offset by a 9.7% increase in Medicare Part B premiums, your income needs to grow to keep up with the real world. A diversified portfolio of stocks and bonds isn't just for "getting rich"—it's designed to provide a rising income stream that helps protect your standard of living against inflation over 20 or 30 years.

### The Tax-Efficient Withdrawal

Using a Roth IRA or a Health Savings Account (HSA) for income can be a secret weapon. Because withdrawals from these accounts are generally tax-free, they don't count toward the income thresholds that trigger taxes on your Social Security benefits, helping you keep more of what you've earned.

<sup>1</sup> SSA. "Cost-of-Living Adjustment (COLA) Information for 2026." accessed January 29, 2026 <https://www.ssa.gov/cola/>

<sup>2</sup> SSA. "What is full retirement age?" January 2, 2026 <https://www.ssa.gov/faqs/en/questions/KA-01885.html>

<sup>3</sup> Kiplinger. "Six Changes to Social Security in 2026." accessed January 29, 2026 <https://www.kiplinger.com/retirement/social-security/changes-coming-to-social-security-in-2026>

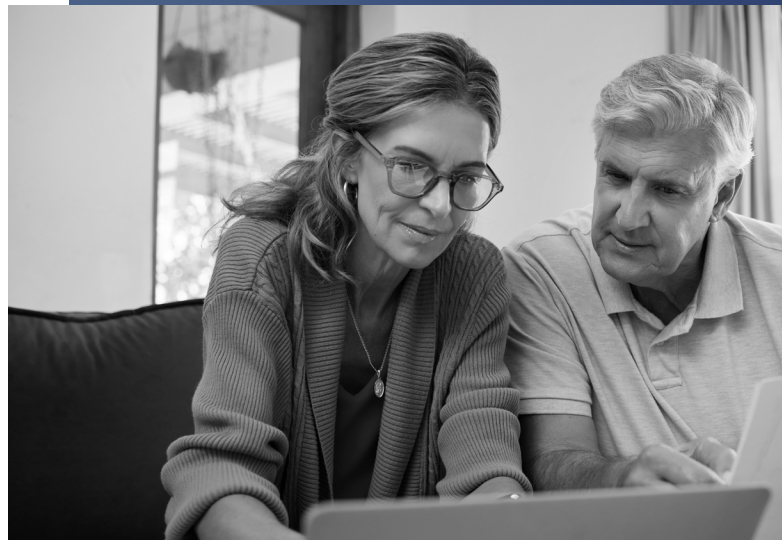
<sup>4</sup> IRS. "401(k) limit increases to \$24,500 for 2026, IRA limit increases to \$7,500." November 13, 2025 <https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500#>

## Stress-Test Your Plan

You've likely seen the headlines: "Social Security is running out of money by 2033." The reality is more about a transition in how the system is funded rather than a total collapse. While reserves are projected to deplete in about 7 to 8 years, it's important to understand what that actually means for your wallet.<sup>5</sup>

The Reality Check:

- **Social Security Isn't "Broken":** Even if the trust fund reserves hit zero, the SSA estimates that incoming payroll taxes will still cover approximately **77% to 81%** of scheduled benefits.<sup>6</sup>
- **The "Safety Margin":** Instead of hoping for a political fix, we focus on building a Safety Margin. By intentionally growing your other income (like IRAs or personal investments), you ensure that even if Social Security benefits were adjusted, your standard of living wouldn't skip a beat.



The goal isn't to rely less on Social Security because we're worried, but to empower yourself so that your retirement is funded by your own strategy, with Social Security serving as a powerful, guaranteed foundation.

<sup>5,6</sup> SSA. "A SUMMARY OF THE 2025 ANNUAL REPORTS" accessed January 29, 2026 <https://www.ssa.gov/oact/trsum/>