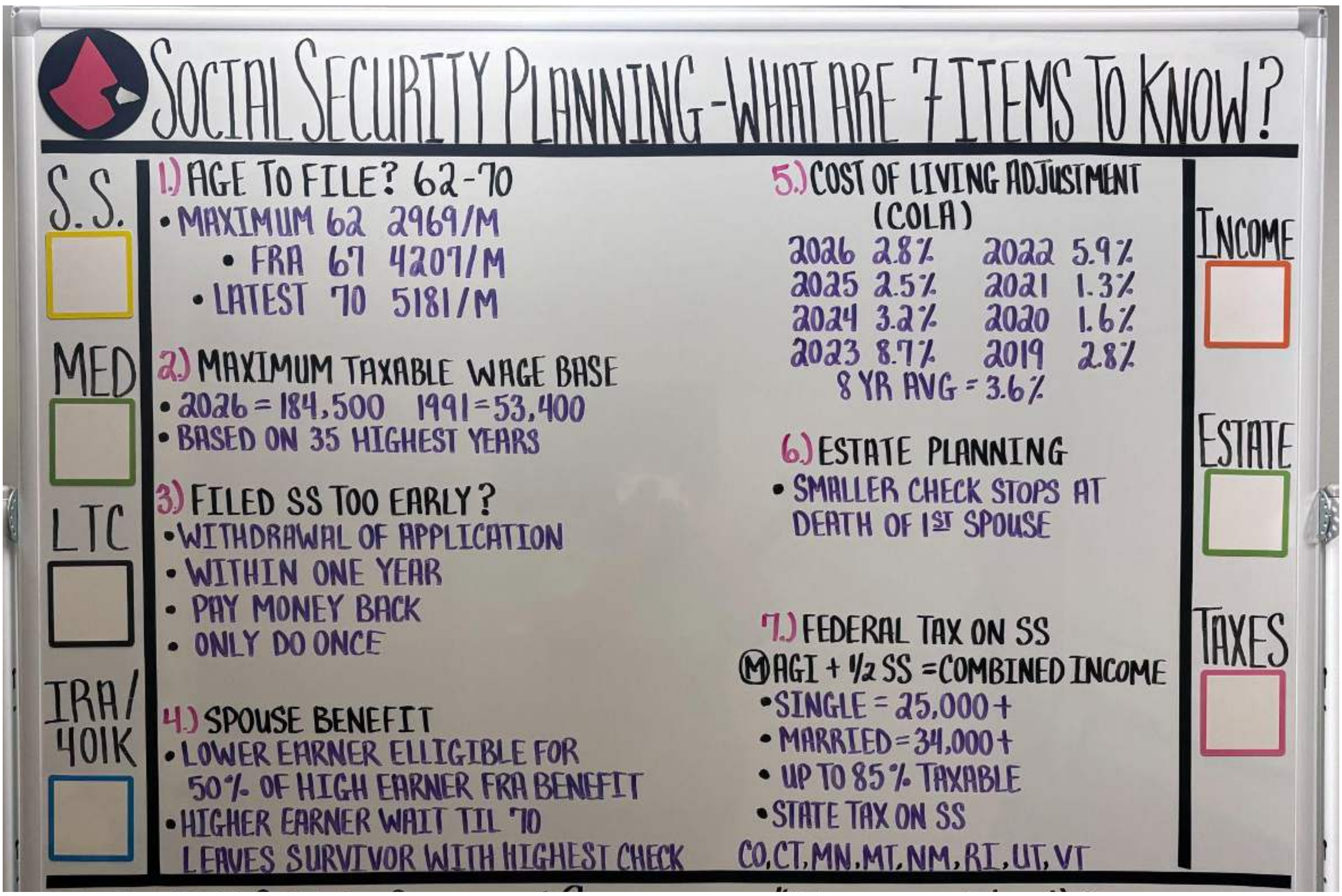
CARDINAL ADVISORS

Social Security Planning-What Are 7 Items to Know?

Advisors Hans, Tom, and Drew cover 7 essential Social Security planning tips — from filing ages and spousal benefits to COLA history, taxes, and estate planning impacts.



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Per the Social Security Administration, for someone retiring in 2026 with 35 years of maximum taxable earnings:

- **Age 62:** $2,969/month If you retire at age 62 in 2026, your benefit would be $2,969
- **Age 67 (full retirement age):** ~$4,207/month
- **Age 70:** $5,181/month If you retire at age 70 in 2026, your benefit would be $5,181

A few notes:

- These are true maximums — they require earning **at or above the taxable wage base** ($184,500 in 2026) in **every one of your 35 highest-earning years**, not just “at least the max” in a general sense.
- Claiming at 62 locks in a **permanent 30% reduction** versus full retirement age; delaying to 70 adds **24% delayed retirement credits** on top of the full amount.
- Very few workers will receive anywhere near $5,181 — this scenario assumes decades of top-bracket earnings, which is rare.
- These figures reflect 2026’s COLA and wage base and will shift slightly in future years.

Worth keeping in mind: this isn’t financial advice — the “right” claiming age also depends on health, other income, spousal benefits, and how long you expect to live, so it’s worth running your specific numbers through SSA’s calculator or talking to a financial planner.

Here’s the year-by-year history of Social Security Cost-of-Living Adjustments (COLA), based on changes in the CPI-W. The year shown is when the higher payment began (checks received starting each January):

Year	COLA	Year	COLA	Year	COLA
1975	8.0%	1993	3.0%	2011	0%
1976	6.4%	1994	2.6%	2012	3.6%
1977	5.9%	1995	2.8%	2013	1.7%
1978	6.5%	1996	2.6%	2014	1.5%
1979	9.9%	1997	2.9%	2015	1.7%
1980	14.3%	1998	2.1%	2016	0%
1981	11.2%	1999	1.3%	2017	0.3%
1982	7.4%	2000	2.5%	2018	2.0%
1983	(none)	2001	3.5%	2019	2.8%
1984	3.5%	2002	2.6%	2020	1.6%

1985	3.5%	2003	1.4%	2021	1.3%
1986	3.1%	2004	2.1%	2022	5.9%
1987	1.3%	2005	2.7%	2023	8.7%
1988	4.2%	2006	4.1%	2024	3.2%
1989	4.0%	2007	3.3%	2025	2.5%
1990	4.7%	2008	2.3%	2026	2.8%
1991	5.4%	2009	5.8%		
1992	3.7%	2010	0%		

Key highlights:

- **Highest ever:** 14.3% in 1980, during the oil-shock inflation era
- **Three zero-COLA years:** 2010, 2011, and 2016
- **1983 gap:** Congress shifted the adjustment timing from July to January that year, so there was no separate increase in 1983 — the next one (3.5%) arrived in January 1984
- **Recent surge:** 5.9% (2022) and 8.7% (2023) were the largest since the early 1980s, driven by pandemic-era inflation The post-pandemic inflation surge produced an 8.7% COLA in 2023, the largest since 1981

A note on labeling: SSA's own technical documents sometimes reference the COLA by the year it becomes *effective for benefit calculation purposes* (December of the prior year), which is one year earlier than the label used above and in most press coverage. The table above uses the convention most people are familiar with — the year the higher check actually shows up.

Federal taxation of Social Security uses a "combined income" (also called provisional income) test — not a straightforward taxable/non-taxable rule.

How combined income is calculated:

Combined income = your AGI (excluding Social Security) + tax-exempt interest + 50% of your Social Security benefits

2026 thresholds (unchanged since the 1980s/90s — not inflation-indexed):

Filing status	Combined income	% of benefits taxable
Single	Below $25,000	0%
Single	$25,000–$34,000	Up to 50%
Single	Above $34,000	Up to 85%
Married filing jointly	Below $32,000	0%
Married filing jointly	$32,000–$44,000	Up to 50%
Married filing jointly	Above $44,000	Up to 85%

Key things to understand:

- **85% is a cap, not a rate.** It means at most 85% of your benefits get added to taxable income — the other 15% is always tax-free. The taxable portion is then taxed at your regular ordinary income tax rate, not a special "Social Security rate."
- **The thresholds never move.** They were set in 1983 (50% tier) and 1993 (85% tier) and were never indexed for inflation, so more retirees get pulled into taxation each year as incomes and COLAs rise Social Security taxation is determined by provisional income — a special formula equal to AGI (excluding benefits) + tax-exempt interest + 50% of total Social Security benefits.
- **New temporary senior deduction:** A 2025 tax law (the "One Big Beautiful Bill") added a $6,000 deduction per eligible person 65+, available 2025–2028 P.L. 119-21 added a temporary senior deduction of $6,000 per eligible individual for tax years 2025 through 2028. This doesn't change the combined-income thresholds themselves, but it lowers your overall taxable income afterward, which can reduce or eliminate what you owe — especially for lower/middle-income retirees.
- **SSI is never taxed.** Supplemental Security Income is a separate, needs-based program and isn't affected by any of this.
- **Nothing is withheld automatically.** The SSA doesn't withhold federal tax from your check unless you specifically request it (via Form W-4V).

For the 2026 tax year, **8 states** tax Social Security benefits in some form Eight states still tax at least some Social Security benefits for the 2026 tax year: Colorado, Connecticut, Minnesota, Montana, New Mexico, Rhode Island, Utah and Vermont:

- **Colorado**
- **Connecticut**
- **Minnesota**
- **Montana**
- **New Mexico**
- **Rhode Island**
- **Utah**
- **Vermont**

Why you'll see "9 states" in some places: West Virginia was on this list too, but it finished phasing out its Social Security tax as of January 1, 2026, so it dropped off West Virginia used to be on this list. It finished phasing out its tax on benefits, so starting with the 2026 tax year, West Virginia no longer taxes Social Security. Older articles (or ones referencing 2025) will still show nine states including West Virginia.

Important caveat: Being on this list doesn't mean you'll actually pay. Every one of these 8 states has its own income-based exemptions or deductions, so many low- and middle-income retirees end up owing nothing at the state level even if they live there. For example:

- **Colorado** lets residents 65+ deduct all of their federally taxed Social Security Residents age 65 and older can deduct all of their federally taxed Social Security, which means many older retirees pay no state tax on benefits
- **Connecticut** exempts single filers under $75,000 AGI and joint filers under $100,000 Single filers with adjusted gross income under $75,000, and joint filers under $100,000, pay no state tax on Social Security
- **Utah** recently raised its full-exemption threshold to about $54,000 (single) / $90,000 (joint) Utah reformed its treatment of Social Security in 2026: recent legislation raised the full-exemption threshold so many retirees are now fully exempt if adjusted income is under about $54,000 (single) or $90,000 (married filing jointly)
- **Vermont** exempts single filers under $50,000 and joint filers under $65,000 Vermont continues to exempt lower-income filers — single taxpayers under $50,000 and joint filers under $65,000 generally pay no tax on benefits

The remaining 42 states plus D.C. don't tax Social Security benefits at all — that includes the 9 states with no income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming) plus 33 more states that have income taxes but specifically carve out Social Security.

One more thing worth flagging: this list keeps shrinking — several of the remaining 8 states debated repeal bills in 2025 Several of the remaining eight states debated repeal in 2025, so the list may shrink again, so it's worth double-checking your specific state's rules closer to when you actually retire.

- Earnings limit: **$65,160/year** — but this only counts earnings in the months *before* the month you hit FRA If you will reach full retirement age in 2026, the limit on your earnings for the months before full retirement age is $65,160
    - Penalty: **$1 withheld for every $3** you earn over that limit
    - Starting the month you actually reach FRA, the limit disappears entirely — you can earn any amount with no reduction Starting with the month

you reach full retirement age, there is no limit on how much you can earn and still receive your benefits

A quick example (under-FRA case): If you get $800/month ($9,600/year) and earn $33,400 — $8,920 over the $24,480 limit — Social Security withholds $1 for every $2 over, so $4,460 gets withheld from your benefits for the year.

Important nuances:

- **Only earned income counts** — wages and net self-employment income. Pensions, 401(k)/IRA withdrawals, rental income, dividends, and interest don't count toward the limit.
- **It's not really a "penalty" — it's a deferral.** Once you reach FRA, SSA recalculates your benefit upward to credit back the months that were withheld Once those beneficiaries reach full retirement age, they do see their benefits adjusted to account for the benefits that had been withheld. So over time, you generally get that money back through a higher ongoing check, not a straight loss.
- **Once you hit FRA, the test disappears completely** — you can earn unlimited income with zero reduction to benefits.

There's also a bill in Congress proposing to eliminate the earnings test altogether A new bill in Congress calls for eliminating the retirement earnings test, which reduces Social Security for some workers who are younger than retirement age, but as of now it's still in effect for 2026.

- File **Form SSA-521** ("Request for Withdrawal of Application") within **12 months** of your first month of entitlement If you change your mind about starting your benefits, you can cancel your application for up to 12 months after you became entitled to retirement benefits
- If approved, SSA treats your original application as though it never existed The catch: you must repay every dollar of benefits already paid out, and for retirement benefits, you have only 12 months from your first month of entitlement to file the request
- You can then reapply later — and because you never technically claimed, your benefit grows as if you'd waited (more delayed retirement credits, higher lifetime earnings counted, etc.)

The catch — you must repay everything:

- All monthly benefits you received You must repay all the benefits you and your family received from your retirement application
- Any benefits paid to family members (spouse, children) on your record — and they must consent in writing to the withdrawal

- Any amounts withheld for Medicare premiums, taxes, or garnishments Money withheld from your Social Security retirement checks for: Medicare Part B, Part C, and Part D premiums

Key limits:

- **One per lifetime** — you only get to do this once, ever You are limited to one withdrawal per lifetime
- **12-month hard deadline** from your first benefit month — after that, withdrawal isn't an option at all

Why people use it: Classic scenario — someone claims early (say, at 62), then unexpectedly goes back to work or realizes claiming early was a mistake. Repaying the benefits and refiling later locks in a permanently higher check for the rest of their life.

If you're past the 12-month window: Withdrawal isn't available anymore, but if you're at least full retirement age, you can instead **suspend** your benefits. Suspension doesn't require repaying anything, and it lets you rack up delayed retirement credits until you resume (or until age 70) A voluntary suspension can be requested if your client is at least Full Retirement Age. There is no time restriction from the initial filing date and no benefits are repaid — it's a much easier path, just without the "erase the record" effect of a true withdrawal.