



Will Social Security Get a 5.3% Raise in 2022?

If so, it will be the largest cost-of-living-adjustment in more than a decade

At some point in October, the Social Security Administration will announce that Social Security and Supplemental Security Income benefits for tens of millions of Americans will increase in 2022. The press release might read something like this:

“The 5.3 percent cost-of-living adjustment (COLA) will begin with benefits payable to more than 67 million Social Security beneficiaries in January 2022. Increased payments to more than 8 million SSI beneficiaries will begin on December 31, 2021. (Note: some people receive both Social Security and SSI benefits). The Social Security Act ties the annual COLA to the increase in the Consumer Price Index as determined by the Department of Labor’s Bureau of Labor Statistics.”

Will the COLA Keep Pace with Inflation?

According to many, the COLA adjustment could be as high as 5.3% in 2022, which would be a huge increase over the 1.3% COLA implemented for 2021 and the biggest rise in more than a decade (in 2009, the cost-of-living adjustment was 5.8%).

Of course there are a lot more factors that go into making this COLA decision, including other inflationary data points and when the Fed tapers its bond buying program in an effort to curtail inflation. Nonetheless, the Senior Citizens League analyzed Consumer Price Index data from the Bureau of Labor Statistics through May of this year to predict the 2022

COLA estimate and came up with a projection of 5.3%. And more recently, the latest press release from the Bureau of Labor Statistics in September reported that the Consumer Price Index for All Urban Consumers increased 0.3% in August after rising 0.5% in July. And over the last 12 months? Well, the All Items index increased 5.3%.

When to File for Social Security

Social Security benefits constitute a big part of many retirement plans. Advice abounds about how and when you need to file. What is best for you and your family?

Generally, you can file for your Social Security retirement benefits when you reach age 62. But doing so will reduce your benefits by as much as 30% below what you might receive if you wait until your full retirement age. Accordingly, most financial advisors recommend you delay filing to better maximize your lifetime benefits.

If you wait until your full retirement age – which is 66 for most people – you will get your full benefit. Or you can wait until age 70, which will increase your benefit because you earned what is called “delayed retirement benefits.”

In other words, there is no one-size-fits all answer to when you should start receiving Social Security.

Social Security is Only Part of Retirement

It is important to remember that although Social Security plays a very important role in supplementing one's retirement income, it was never meant to be the only source of income.

In fact, even the Social Security Administration states that Social Security benefits will – at best – cover about 40% of the typical worker's pre-retirement income. But the key word is "typical" because everyone is different.

And to make matters more dire, those contemplating retirement – which is everyone – should know that Social Security has a funding issue: by the year 2034, the Social Security trust fund will be at \$0 and will only collect enough taxes to pay about 79% of scheduled benefits. In other words, your retirement might be somewhat dependent on Congress stepping in to fix this shortfall.

Make Sure You Plan with Your Advisor

While no one knows the exact percentage of the COLA increase this January, we can be fairly certain that there will be an increase.

But whether the increase is more than 5% or less than 1%, talk to your financial advisor to make sure your retirement planning is not dependent on Congress taking action.