Four Social Security Myths Debunked

There are a lot of misconceptions surrounding the Social Security system. Here are four common myths and the truth about how Social Security works and its future prospects.

Myth 1: You Should Collect Benefits Early

This is one of the biggest Social Security myths. In 2015, more than half of Social Security recipients began collecting benefits before their full retirement age (66 for those born between 1943 and 1954), potentially costing themselves thousands of dollars in additional benefits. If you take Social Security between age 62 and your full retirement age, your benefits will be permanently reduced to account for the longer period you will be paid.

On the other hand, if you delay taking retirement, depending on when you were born your benefit will increase by 6 to 8 percent for every year that you delay, in addition to any cost of living increases. There are a lot of factors that go into the decision as to when to take Social Security benefits, but if possible it is usually better to wait until your full retirement age or older.

Myth 2: Your Money Goes into an Account with Your Name on It

When you pay into Social Security, the money is not set aside in a separate account, as with a 401(k) or IRA. Instead, your contributions are used to pay current recipients. When you start receiving benefits, people paying into the system will be paying your benefits.

Myth 3: Social Security Will Be Out of Money Soon

Many young people believe the Social Security system will run out of money before they have a chance to collect anything. Currently, the Social Security trustees predict that the trust fund will run out of money in 2034. Politically, it seems unlikely that Congress and the President would let this happen. Changes will likely be made to the system by either raising taxes (such as by lifting the cap on income subject to Social Security tax), reducing benefits for high-income individuals, increasing the retirement age, or doing something else that will allow Social Security to be fully funded. However, even if the trust dries up and there isn't enough money to pay all the promised benefits, people will still be paying into the system and Social Security will be able to pay at least 75 percent of benefits.

Myth 4: If You Haven't Worked, You Cannot Collect Benefits

If you haven't worked outside of the home, you will not be able to collect Social Security benefits on your own record, but you may be able to collect them based on your spouse or ex-spouse's record. Spouses are entitled to collect as much one half of a worker's retirement benefit. This rule applies to ex-spouses as well, as long as the marriage lasted at least 10 years and the spouse applying for benefits isn't remarried.

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