

Methodology for the Social Security benefit calculator

Methodology

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Overview

Social Security retirement benefits (“Benefits”) are very complex. The Social Security Administration (“SSA”) calculates each individual’s Benefits based on work history and other information, as described at www.ssa.gov. The Social Security calculator (the “tool”) is an educational tool designed to help users who are considering retirement, or who are already in retirement, identify a possible Benefits claiming strategy that may help meet their income needs in retirement. The estimated Benefits calculated by the (the “tool”) and the possible benefits claiming strategies generated by the tool are hypothetical and are not guarantees of Benefits. Use of the tool is subject to the [Terms of Use](#) posted on Fidelity.com.

Using information that you provide, and certain assumptions built into the tool, the tool will calculate and display a possible Benefits claiming strategy that may result you (and your spouse) receiving the highest amount of Benefits over your lifetime(s). You can also model additional Benefits claiming strategies by changing your claiming age and other information, and the tool will calculate the resulting estimated lifetime Benefits. Additional important information about the methodology, assumptions and limitations of the tool is provided below. Based on your personal circumstances, you may want to obtain additional information and/or professional Benefits claiming advice.

Estimates provided by the tool are not guarantees of Benefits for any individual. Possible Benefits claiming strategies provided by the tool are not intended to serve as the primary basis for your claiming decision and should not be considered as investment, legal, tax or Social Security claiming advice. Each tool session is a one-time, nondiscretionary service, which means that it is up to you (and your spouse) to implement a Benefits claiming strategy by applying to the Social Security Administration.

If you are a Fidelity customer who is logged in, you can choose to save updates to your personal information, the first claiming age and the initial monthly benefit presented on the “Claiming Social Security” screen of the tool in the Planning and Guidance Center. This information will be used as part of Fidelity’s Retirement Analysis methodology to show the potential impact of Benefits in your overall retirement plan.

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How the tool Calculates Estimated Lifetime Social Security Benefits. The tool considers your (and your spouse’s) stated information (compensation, retirement age, etc., as described below) to calculate possible Benefits claiming strategies for you and, if applicable, your spouse. The estimated lifetime Social Security benefit amount displayed by the tool is the sum of your (and your spouse’s) estimated monthly individual, spousal, and survivors benefits (to the extent applicable) generally from the claiming age(s) shown to the life expectancy age(s) shown, subject to the limitations on Benefits calculations described below. Individual, spousal, and survivors Benefits (to the extent applicable) are calculated as of the claiming age shown and assumed to increase periodically to reflect inflation-driven cost-of-living adjustments (“COLAs”). The dollar amounts shown in the tool are presented in today’s dollars, removing the effects of projected inflation over time to determine value in current terms.

The tool initially identifies a possible claiming strategy which is estimated to provide the maximum amount of estimated lifetime Benefits for you, or, if applicable, you and your spouse (the “household”).

If the difference in estimated lifetime Benefits among possible claiming strategies is within \$500, the possible claiming strategy which uses your youngest expected claiming age will be presented.

Eligibility to Receive Benefits. At least 40 calendar quarters of qualifying work are necessary to be eligible for individual Benefits based on the individual's own earnings record. The tool assumes that you (and your spouse) have qualified or will qualify to receive Benefits based on work history of at least 10 years and 40 calendar quarters of qualifying work. This tool assumes employment start age is 22 years.

Primary Insurance Amount (PIA). PIA is the amount an individual would receive if claiming Benefits at full retirement age (FRA). Your (and your spouse's) most recent actual or estimated PIA should be used in the tool. To obtain an actual or estimated PIA, please visit the SSA's website at www.ssa.gov. If an actual or estimated PIA is not provided, the tool estimates the current PIA using your (and your spouse's) estimated compensation, work history and retirement age inputs, as described further in this document. Actual and estimated PIAs can change from time to time due to COLAs and other factors, and you may want to use the tool in the future to update your estimated Benefits and possible claiming strategies. The tool does not reflect the possible impact of taxes, Medicare payments, or other deductions from your Benefits.

Individual Benefit. Individual benefits are based on the individual's PIA and claiming age.

Spousal Benefit. Spousal benefits are based on the age the individual claims spousal benefits and the spouse's PIA. The tool assumes that married users are eligible for benefits based on the other spouse's PIA. Spousal benefits are available so long as the spouse is alive and receiving his or her own Benefits. A spouse claiming before his or her FRA results up to a 35% reduction in the spousal benefit. If an individual was born before January 1, 1954, attained FRA, hasn't yet filed an application for Social Security benefits, and is eligible for spousal benefits (to the extent supported by the tool), the possible claiming strategy shown by the tool may require the use of a special "restricted application" for Benefits – meaning that you or your spouse may be able to claim spousal benefits separately from your own Benefits or his/her own Benefits, with a subsequent increase in your own or your spouse's own Benefits at age 70.

Survivors Benefit. Survivors benefits are based on the deceased spouse's Individual Benefit and the age at which the surviving spouse claims their survivor benefit.

Limitations on Calculations. The tool cannot estimate possible Benefits from multiple marriages. The tool does not reflect all possible Benefits that individuals may be eligible for, including but not limited to disability benefits, death benefits and family benefits. The Tool does not reflect all possible Benefits claiming strategies available to divorced individuals with respect to ex-spouse and deceased former spouse benefits. The tool does not reflect all possible Benefits that individuals or their household members may be eligible for under Social Security's various programs, including but not limited to disability benefits, Supplemental Security Income ("SSI"), death benefits and family benefits. Not all events that lead to nonpayment of benefits are considered. Please refer to SSA document on these nonpayment events:

https://www.ssa.gov/OP_Home/handbook/handbook.18/handbook-1851.html.

Date of Birth and Full Retirement Age (FRA). FRA is the age at individuals may be eligible for unreduced Benefits, based on this table published by the SSA:

Year of Birth*	Full (normal) Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1956	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

*If you were born on January 1st, you should refer to the previous year.

Retirement Age. Retirement age is the age at which you (or your spouse) plan to stop working and earning compensation subject to Social Security taxes. The tool is limited to whole integer retirement ages (for example, age 64 or age 66) and will generally not present a possible retirement age over 70.

Claiming Age. Claiming age is the age at which you (and your spouse) begin to receive available Social Security benefits. The tool is generally limited to whole integer claiming ages (for example, age 64 or age 70) and FRA. A claiming age less than FRA will generally result in lower benefits, and a claiming age greater than FRA will generally result in higher benefits. The possible claiming strategies presented by the tool may include strategies which propose claiming ages attained during the current calendar year, which may require a retroactive application for Benefits. The tool will generally not present a claiming age prior to the user-provided retirement age or a claiming age over 70. In some cases, the user will not be able to modify the claiming age. The tool does not consider claiming ages beyond age 70 or life expectancy.

Plan-to Age. An individual's plan-to age is used to estimate how long Social Security benefits may be paid. Your "plan-to age" is the age to which you have an estimated 25% chance of surviving. You can edit your (or your spouse's) plan-to age provided by the tool if you feel it's not accurate. Fidelity estimates longevity using date of birth, gender, and the Retirement Plans (RP) mortality tables most recently published by the Society of Actuaries. These tables are based on the mortality experience of US pension plans. Among the most recent set of tables, identified as RP-2014, Fidelity uses the Healthy Annuitants table, updated periodically to reflect mortality rate improvements. Our longevity estimates are not tailored to a specific individual or situation, do not reflect additional factors that could increase or decrease your plan-to age (such as your health, lifestyle, and family history), and should not be considered definitive. If you provided gender information, we use it to estimate longevity. If we do not have gender information, or if the gender information in our records is recorded as female, nonbinary or blank, we use the estimated longevity for females, which is generally longer than for males.

Compensation Information. Compensation (salary, bonus, and commission) from the most recent year and work history (start age and end age) are used to estimate your (and your spouse's) lifetime income, from when you (or your spouse) began working through the earlier of your (or your spouse's) claiming age or expected retirement age (up to age 70. Compensation used by the tool is limited to the amount of earnings subject to employment taxes under Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program. This amount typically changes annually. Prior income is estimated using the

national average wage index (AWI) for each year. Projected income is based on proprietary long-term salary growth and general inflation assumptions. Your (and your spouse's) PIA is estimated by using the top 35 years of highest indexed and capped income (using 0 for missing years) to calculate the average indexed monthly earnings (AIME) and applying two "bend points" published by SSA each year or projected by Fidelity if unavailable for future years. Compensation must be covered by social security (i.e., work-related earnings are subject to social security taxation.)

Work in Retirement (WIR). WIR is the income received after claiming Benefits and before reaching FRA and may result in a reduction of individual, spousal, or survivors Benefits. The tool does not currently reflect the impact of WIR on estimated Benefits.

Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). Government pensions and pensions from employment not covered by Social Security received by you (and your spouse) may reduce your Benefits. The tool does not currently reflect the impact of the GPO or WEP on estimated Benefits. The term pension includes amounts from both defined benefit plans and 403(b)/457-type defined contribution plans.

Additional Information. The tool applies assumptions, projections and other factors that may include Fidelity's proprietary assumptions, periodically updated information published by the SSA (including but not limited to the national average wage index, bend points, annual earnings limits, maximum taxable amount, substantial earnings, etc.), and other factors (including but not limited to the individual's employment history, income growth rate, future national average wage growth and inflation), all of which are subject to change from time to time. The tool is periodically updated for COLAs and other changes as soon as reasonably possible. Assumptions and features may be added to, modified in, or removed from the tool by Fidelity at any time and without notice to prior or future users of the tool. Fidelity cannot guarantee and makes no warranties that the estimates of annual and/or lifetime Benefits and/or the possible Benefits claiming strategies generated by the tool, are accurate, complete, or timely. Fidelity disclaims any liability arising out of the use of the tool or any claim to Benefits made in reliance on the tool.

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Fidelity Brokerage Services LLC, Member NYSE, [SIPC](#), 900 Salem Street, Smithfield, RI 02917

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