



SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

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Manhattan, KS

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Should the Annual COLA Be a Factor in Social Security Claiming Decisions?

Searching for "2023 Social Security COLA" on Google delivers about 159 million results. It's fair to say that the cost-of-living adjustment (COLA) in benefits expected for next year has created a great deal of interest. As of this writing, [The Senior Citizens League is estimating an 8.7% COLA](#) will be announced this month, which would be the largest inflation-caused increase in 40 years.

Judging by the numbers of calls and emails that I have received, seniors and their advisors have many questions as to how this sparkling COLA will play out in the real world. Common inquiries go something like this: "Do I need to claim my benefit before January to capture the 2023 COLA?"

We've covered this before, most recently in the [August 2022 issue](#), but it's worth repeating — *in one word* — no. COLAs, when declared, are applied to a worker's benefit after initial eligibility (age 62), regardless of whether the income benefit is being collected. The COLA is effective each December, with the first higher monthly income benefit paid to recipients the following January.

That Q&A is straightforward and addresses most of the questions posed, but that's not always the case. Take this question a financial advisor

shared with me recently from a client whom I will call Tully:

"My social security estimate currently is \$1,538 a month at 64 and 8 months. At 65 and 8 months, the estimate is \$1,640, roughly a 6.6% increase. At my full retirement age (FRA) of 66 and 6 months, the projected estimate is \$1,750.

Some media outlets have reported that there could be an 11%+ COLA for recipients in 2023. If that winds up being true and I apply at age 64 and 10 months (this November), my benefit would be \$1,555 a month. An 11% increase in January would make it \$1,726. That is almost as much that I would get waiting until FRA and I would collect those payments 22 months longer.

I realize my benefit amount could go up by another 12% or so if I wait, but is that enough to make up for the 22 months I could be collecting? I am leaning toward locking in this historical COLA rather than taking my chances; why not get the equivalent of 22 months' worth of waiting now without the wait?"

The advisor asked me for my thoughts before he responded to Tully and other clients. In my response, I first wanted to clarify the fact that Tully does not need to claim her benefit to participate in the upcoming COLA.

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