

Social Security Benefit Amounts

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Summary

Social Security benefits are typically computed using "average indexed monthly earnings." This average summarizes up to 35 years of a worker's indexed earnings. We apply a formula to this average to compute the primary insurance amount ([PIA](#)). The PIA is the basis for the benefits that are paid to an individual.

The formula used to compute the PIA reflects changes in general wage levels, as measured by the [national average wage index](#). We have constructed examples to illustrate [how retirement benefits are calculated](#).

Average Indexed Monthly Earnings (AIME)

When we compute an [insured](#) worker's benefit, we first [adjust or "index" his or her earnings](#) to reflect the change in general wage levels that occurred during the worker's years of employment. Such indexing ensures that a worker's future benefits reflect the general rise in the standard of living that occurred during his or her working lifetime.

Up to 35 years of earnings are needed to compute average indexed monthly earnings. After we determine the *number* of years, we choose those years with the highest indexed earnings, sum such indexed earnings, and divide the total amount by the total number of months in those years. We then round the resulting average amount down to the next lower dollar amount. The result is the *AIME*.

An insured worker becomes eligible for retirement benefits when he or she reaches age 62. If 2023 were the year of eligibility, we would divide the national average wage index for 2021 (60,575.07) by the national average wage index for each year prior to 2021 in which the worker had earnings and multiply each such ratio by the worker's earnings. This would give the indexed earnings for each

year prior to 2021. We would consider any earnings in or after 2021 at face value, without indexing. Then we would compute the AIME and use this amount in computing the worker's primary insurance amount for 2023.

Primary Insurance Amounts

The PIA is the sum of three separate percentages of portions of the AIME. While the percentages of this [PIA formula](#) are fixed by law, the dollar amounts in the formula change annually with changes in the national average wage index. These dollar amounts, called "bend points," govern the portions of the AIME.

The bend points in the year 2023 PIA formula, \$1,115 and \$6,721, apply for workers becoming eligible in 2023. See the [table of bend points](#) for the bend points applicable in past years.

For example, a person who had maximum-taxable earnings in each year since age 22, and who retires at age 62 in 2023, would have an AIME equal to \$12,427. Based on this AIME amount and the bend points \$1,115 and \$6,721, the PIA would equal \$3,653.30. This person would receive a reduced benefit based on the \$3,653.30 PIA. The first COLA this individual could receive is the one effective for December 2023. See the [monthly benefit amount for this example](#) and other examples with maximum-taxable earnings.

Monthly Benefit Amounts

Monthly retirement benefits derived from the PIA may be higher or lower than the PIA. We pay reduced benefits to one who retires before his/her [normal retirement age](#). A person cannot collect retirement benefits before age 62. In the case of a person retiring at exactly age 62 in 2023, the benefit will be 30 percent less than the person's PIA.

Benefits can be higher than the PIA if one retires after the normal retirement age. The credit given for delayed retirement will gradually reach 8 percent per year for those born after 1942. A table illustrates the complex interaction among [normal retirement age, actuarial reduction,](#)

[and delayed retirement credit](#). No delayed retirement credit is given after age 69.

Other Benefits

In addition to retirement benefits, Social Security pays several other [types of benefits](#). For example, Social Security pays benefits to disabled workers who meet medical and insured requirements. Benefits paid to disabled workers and their families may be reduced for receipt of certain public disability benefits (such as Workers' Compensation). In such cases, disability benefits are [redetermined triennially](#).

Benefits to family members may be limited by a [family maximum benefit](#).

Two [other methods](#) for computing retirement benefits were common in the past, but today have very limited applicability.