

A COLA with Your Social Security?

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Provided by DSA Financial Group

If there is a "silver lining" to all the inflation talk, it may be that Social Security benefits are expected to see a larger-than-normal increase in 2022.

Preliminary estimates call for a 4.7% cost-of-living increase (COLA) in Social Security benefits next year, which would be the highest since 2009. Benefits rose 1.3% in 2021.¹

The Social Security Administration makes its official announcement in January 2022. The Bureau of Labor Statistics bases its annual adjustment on the Bureau of Labor Statistics data in the Consumer Price Index for Urban Wage Earners and Clerical Workers, known as the CPI-W.²

A lot can change between now and January 2022, but remember that data from the third quarter of 2021 will be the basis for the COLA for next year.

In my experience, Social Security is one of the most misunderstood sources of retirement income. For example, only 33% of people in 2021 expected Social Security to be a major income source during retirement. In reality, it was a major source for 62% of retirees.³

Retirement may hold many surprises. But your sources of retirement income shouldn't be one of them. It's critical to have a strategy that keeps your expectations in line with reality. We'd welcome the chance to hear what you think about Social Security.

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Citations

1. SeniorsLeague.org, May 12, 2021
2. CNBC.com, May 12, 2021
3. EBRI.org, 2021. "Retirement Confidence Survey"