

Benefit Calculation Examples for Workers Retiring in 2025

Primary Insurance Amount

The basic Social Security benefit is called the primary insurance amount (PIA). Typically the PIA is a function of *average indexed monthly earnings* (AIME). We determine the PIA by applying a [PIA formula](#) to AIME. The formula we use depends on the year of first eligibility (the year a person attains age 62 in retirement cases).

Case	AIME	Formula bend points		Formula applied to AIME
		First	Second	
A	\$5,556	\$1,226	\$7,391	$.9(1226) + .32(5556 - 1226) = \mathbf{\$2,489.00}$
B	11,351	996	6,002	$.9(996) + .32(6002 - 996) + .15(11351 - 6002) = \mathbf{\$3,300.67}$

Because the worker in case A is first eligible for benefits in 2025, and also retires in 2025, there are no applicable [cost-of-living adjustments](#), or COLAs, to the amount computed above. Therefore, the case-A PIA is the case A amount computed above, \$2,489.00.

The worker in case B is first eligible in 2021 (the year case B reached age 62). Thus the case-B PIA is the case B amount computed above truncated to the next lower dime and increased by cost-of-living adjustments, or COLAs, for 2021 through 2024. These [COLAs](#) are 5.9 percent, 8.7 percent, 3.2 percent, 2.5 percent, respectively. The resulting PIA is \$4,018.80.

Benefit Based on PIA and Age

The amount of retirement benefits paid depends on a person's age when he or she begins receiving benefits. We reduce benefits taken before a person's [normal \(or full\) retirement age](#) and we increase benefits taken after normal retirement age.

We assume the worker in case A begins receiving benefits at the earliest possible age, which is age 62. Because case A's normal retirement age is 67 years, the benefit amount for case A is reduced for 60 months of [early retirement](#). The \$2,489.00 PIA is thus reduced to a monthly benefit of \$1,742.00.

The benefit amount for case B, assuming that benefits begin exactly at normal retirement age of 66 years and 10 months, is not reduced except for rounding down to the next lower dollar. The \$4,018.80 PIA is thus reduced to a monthly benefit of \$4,018.00.

In addition to case B, we also have other benefit examples for [workers whose earnings have equalled or exceeded maximum taxable amounts](#). These examples show AIME and benefit amounts for retirement at ages 62, 65, 66, 67, and 70.

Two Other Methods

[Two other methods for computing a PIA](#) have limited applicability. Relatively few new beneficiaries qualify for these two other methods.

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