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Security Administration recently.

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By Bob Haegele, Bankrate.com (TNS)

Inflation has been sky-high over the last year, so it's a good thing that the Social Security Administration (SSA) is boosting its cost of living adjustment (COLA) for benefit checks in 2023. It's just one of many changes announced by Social Security recently.

Here are some key changes to Social Security happening next year—and what you need to know.

Watch for these 5 changes to Social Security in

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The SSA has announced that [benefit checks will rise 8.7 percent in 2023](#), a substantial increase even from the 5.9 percent adjustment for 2022, which was already unusually high. In fact, the 2023 COLA is the highest increase since 1981, when it was 11.2 percent.

The 8.7 percent adjustment will amount to a \$146 increase in monthly benefits for the average retired worker on Social Security, beginning in January. Specifically, the average check for retired workers will increase from \$1,681 to \$1,827. For a couple with both partners receiving benefits, the estimated payment will increase from \$2,734 to \$2,972, a rise of \$238.

Since 1975, the SSA has tied cost of living adjustments to the Consumer Price Index for urban wage earners and clerical workers (CPI-W). The SSA compares the third-quarter CPI-W for the prior year to the third-quarter CPI-W in the current year to determine the COLA. It then adjusts the COLA based on the difference in CPI-W from one year to the next.

2. Maximum taxable earnings going up

In 2022, the maximum earnings subject to Social Security taxes was \$147,000. That is, workers paying into the system are taxed on wages up to this amount, typically at the 6.2 percent rate. In 2023, the maximum earnings will increase to \$160,200, meaning more of a worker's income will be subject to the tax. This adjustment is due to an increase in average wages in the U.S.

3. Maximum Social Security benefit also set to increase

As expected, the maximum Social Security benefit for a worker retiring at full retirement age will also increase in 2023, from \$3,345 to \$3,627. It's important to note

that this maximum applies to those retiring at the full retirement age, which is 67 for

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The average benefit will increase across the board in 2023, and that includes benefits for people such as widows, widowers and the disabled. Here's how those figures break out:

- The SSA says the average widowed mother with two children will receive a sizable bump, from \$3,238 to \$3,520.
- Aged widows and widowers living alone will see their benefits increase from \$1,567 to \$1,704.
- The benefit will increase for a disabled worker with a spouse and one or more children from \$2,407 to \$2,616.

Of course, those are averages, and individual circumstances will vary.

5. Social Security adjusts earnings test exempt amounts

If you claim your retirement benefits before you hit full retirement age, Social Security will withhold some benefits from your check above certain levels of income. It's what the program calls the retirement earnings test exempt amounts, and it can claim a serious chunk of your benefits if you're still working. Here's how it will work in 2023.

If you start collecting Social Security before full retirement age, you can earn up to \$1,770 per month (\$21,240 per year) in 2023 before the SSA will start withholding benefits, at the rate of \$1 in benefits for every \$2 above the limit. In 2022, the maximum exempt earnings were \$1,630 per month (\$19,560 per year).

In the year you reach full retirement age, this rule still applies, but only up until the month you hit full retirement age and with much more forgiving terms. In 2023, you can earn up to \$4,710 per month (\$56,520 per year) before benefits are withheld, at the rate of \$1 in benefits for every \$3 earned above the limit (instead of every \$2). In 2022, the threshold was \$4,330 per month (\$51,960 per year).

Bonus: Some Medicare premiums will be lower

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Bottom line

Given the huge level of inflation that the U.S. economy has experienced over the last year, it's not too surprising that Social Security saw one of its largest benefit adjustments ever. But that's not the only change to the program, as other levels and thresholds have been adjusted to account for surging inflation, too.

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