

Social Security COLA: How and When It Can Affect Your Benefits



By Mike Lynch

Every October, the Social Security Administration announces the cost-of-living adjustment (COLA) for the upcoming year. While many are aware of COLA, they may not fully understand its impact on their benefits and retirement planning.

What We'll Cover:

- What's COLA
- COLA at different ages
- How COLA fits in with your retirement income

First, What's COLA?

COLA is an increase made to Social Security benefits to counteract the effects of inflation and rising prices in the economy. That means COLA can help you buy more of the things you want in retirement and maintain your standard of living.

COLAs are calculated by comparing average prices from the third quarter of this year to the same time last year. The percentage increase determines the COLA, which is then used to adjust Social Security benefits for inflation. For 2026, the COLA is set at 2.8%. Here's how that could affect average benefits:

Estimated Average Monthly Social Security Benefits Payable in January 2026¹

Beneficiary	Before 2.8% COLA	After 2.8% COLA
Retired worker	\$2,015	\$2,071

COLA is often thought of as an income bump by people on Social Security, but it's helpful to know how COLA can affect your Social Security benefits even before retirement. Let's look at how COLA can impact your benefits before you and after you file.



COLA is often seen as an income boost for those receiving Social Security, but it's important to understand how it can impact your benefits—even before you retire.

Second, COLA at Different Ages

- **COLA: Before 62**

Before you turn 62, COLA doesn't affect your Social Security benefits, so there's no need to stress about it yet. However, as you get closer to what Social Security calls your "full retirement age" (usually around 67), it's smart to start paying more attention to how COLA might affect your future benefits.

- **COLA: 62 through Full Retirement Age***

Age 62 is a key milestone—it's the earliest you can file for Social Security. But filing before your full retirement age is considered early and results in permanently reduced monthly benefits. The earlier you claim, the less you'll receive each month for life. Full retirement age is when you can claim your full, unreduced benefits.

At 62, COLA adjustments begin applying to your Social Security benefits. Even if you delay claiming, these annual increases—based on inflation—will still be factored in from age 62 onward. So, by waiting to claim, you'll likely receive a higher benefit, though the exact increase depends on yearly COLA rates.

**Full Retirement Age (FRA) is the age at which you are entitled to 100% of your Social Security benefits. The FRA varies depending on the year you were born, ranging from 65 to 67. Go to ssa.gov to find out your FRA.*

- **COLA: After Full Retirement Age**

Once you reach full retirement age, your benefits keep growing each year with the COLA rate. If you wait to claim your benefits, you'll see the effects of COLA from age 62 until you decide to claim. By waiting until age 70, your monthly benefit could be higher thanks to both COLA and delayed retirement credits. These credits are extra amounts added to your benefits for each year you wait past full retirement age, up to age 70.

Third, How COLA Fits in With Your Retirement Income

The average 67-year-old retiree receives about \$25,956 per year from Social Security, but most retirees need roughly \$75,020 to live comfortably.² That leaves a significant gap to fill for a secure retirement.

Since you can't control Social Security or COLA, focus on what you can manage. Work with your financial professional to explore strategies—such as brokerage accounts, 401(k)s, or other investments—to help boost your retirement savings.

As people live longer, understanding the factors that affect your income is critical. Knowing how COLA impacts your Social Security benefits at different claiming ages can help you plan more effectively.

Next Step

Talk to your financial professional about your retirement plan and how Social Security and COLA fit into it.



Mike Lynch
Managing Director, Applied Insights

Mike educates financial professionals and their clients on a variety of financial topics. He translates the expertise of our various partnering experts—such as psychologists, physiologists, and practice-management specialists—into practical, actionable ideas and tools to make sense of a rapidly evolving financial and demographic landscape.

¹ Social Security Administration, ssa.gov, 2025

² This Is the Average Income for Retirees in America, The Motley Fool, 10/2025

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