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Financial Planning & Investment Management

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## *The Savvy Investor*

### **Social Security Basics**

#### **Age to Start Collecting**

- You can start collecting retirement benefits as early as 62. But this is usually a poor idea since your benefits will be reduced by 25% or more *for the rest of your life*.
- Full Retirement Age (FRA) is currently 66. If you wait until your FRA, you can collect 33% more than if you start collecting at age 62.
- Better yet, if you delay collecting benefits beyond your FRA, your benefits increase by another 8% per year up to age 70 (for a total increase of 32% compared with starting at age 66).

#### **Wait Until Age 66**

By waiting until your FRA of 66 to claim benefits, you are able to:

- Collect your full retirement benefits, which are 33% more (not 25%) than if you start at age 62.
- Exercise some creative strategies to maximize your lifetime benefits.
- You can continue to work and not be penalized. There are no earnings cap restrictions.

#### **Benefits for Same-Sex Couples**

- Legally married same-sex couples living in a state that recognizes their marriage are entitled to the same Social Security benefits as other married couples.

#### **Divorced – Collect on Your Ex**

You are eligible to collect on your ex if:

- You were married at least 10 years
- You were divorced at least two years
- You are not currently married
- You are over age 62
- Your ex-husband is eligible for Social Security.
- Rather than collecting at age 62, it is usually better to wait until your FRA of 66. Then, to maximize your benefits, file a restricted claim for spousal benefits only and switch to your own retirement benefit at age 70.

#### **Maximize Your Benefits**

For married couples, there are various strategies that can be employed to optimize lifetime benefits. We assume the husband is the higher earner, but the same idea is just flipped around if the wife is the higher earner.

- **File and Suspend**

At Full Retirement Age of 66, the higher earning spouse (assumed here to be the husband) “files and immediately suspends” his benefits. By doing this, he automatically triggers the wife’s ability to apply for spousal benefits (see below). The husband continues to earn delayed retirement credits. When he starts his own payments, they will have increased 8% for every year past 66 (up to age 70) that he has deferred payments.

- **File a Restricted Claim for Spousal Benefits Only**

When the husband files and suspends his benefits, the wife is now eligible for spousal benefits. (Unless she is divorced, the spouse cannot file for spousal benefits unless the other person does files, and suspend if he so choses).

Even if the wife never worked, she is entitled to a benefit equal to up to one-half of the other spouse's retirement benefit. Additionally, because the wife has reached her own full retirement age but is not taking her own retirement benefit, she will also accrue delayed retirement credits that will boost her own retirement benefit when she applies for them in the future.

## **Risk in Waiting**

When you file and suspend, you are betting on longevity. If you file and suspend at age 66 and die at 69, you will have missed out on three years of Social Security benefits. You should probably only file and suspend if you are healthy.

## **Do-Over**

If you change your mind within 12 months of first claiming retirement benefits, you can repay the money you have already received and restart your benefits at a higher rate later. Or, if you wait until 66, you can voluntarily suspend your benefits — but not repay them — and earn 8% per year in delayed retirement credits up to age 70.

## **For Singles**

If you expect to delay claiming Social Security benefits beyond your full retirement age, you have fewer options. But you may want to file and suspend at 66. This gives you the option to claim a lump sum back to the suspension date rather than a larger monthly benefit later.

## **Bottom Line**

- If you wait until age 66 before starting to collect Social Security benefits you increase the number of options available to you to maximize your lifetime benefits.
- For married couples especially, it is best in most cases for the higher earning spouse to delay benefits as long as possible, up to age 70. This locks in the maximum retirement benefit as well as the largest survivor benefit should he die first.

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*We specialize in helping people plan and invest for retirement*