

When Should You Consider Starting to Take Social Security Retirement Benefits?

The answer to that question is not necessarily simple.

There are several factors to consider:

1. What is your age?
2. Do you plan to continue to work?
3. How badly do you need or want the monthly benefits?
4. How long do you expect to live?

The first two questions are simple. The third question probably depends on your personal financial situation. The fourth question probably does not have an answer.

The Basics

Your Social Security retirement benefits are based on your earnings history (highest 35 years' earnings) and assume you begin to receive benefits at your full retirement age. You can begin taking retirement benefits at age 62, but the amount you will receive will be reduced. Delaying starting to take benefits until age 70 will increase the benefit levels.

For 2014, the average monthly benefit for all workers is about \$1,300 and the maximum benefit based on the highest earnings is about \$2,650. Benefits can increase annually based on cost of living adjustments that have averaged about 2.5% over the past 10 years.

Full Retirement Age

Full retirement age is between 65 and 67, depending on the year you were born.

Year Born	Full Retirement Age
1937 or earlier	65
1938 to 1942	65 plus two months for every year after 1937
1943 to 1954	66
1955 to 1959	66 plus two months for every year after 1954
1960 and later	67

Consider Your Continuing Employment Plans

The impact of working between age 62 and full retirement age is divided into two segments. For calendar years before you reach full retirement age, your annual Social Security benefits will be reduced by \$1 for every \$2 you earn above \$18,240 in 2020. For the portion of the calendar year you reach full retirement age, the reduction is \$1 for every \$3 you earn above \$48,600. For high earners, this would significantly reduce or eliminate the Social Security benefits while continuing to work.

Once you reach full retirement age, there is an adjustment in calculating the length of early retirement to reflect months when benefits were withheld. However, the actual reduction in benefits due to working is never recovered.

Impact of Starting to Take Benefits Before or After Full Retirement Age

If you elect to start taking benefits before reaching full retirement age, the reduction is 5/9 of 1% for each month for the first 36 months of early retirement and 5/12 of 1% for months 37 to 60 of early retirement.

If you delay taking benefits until after full retirement age, there is an 8% increase for each year you delay if you were born in 1943 or later. There are smaller increases if you were born before 1943.

Benefit adjustment for early or delayed beginning of benefits

Full Retirement Age	Start taking benefits at age								
	62	63	64	65	66	67	68	69	70
65*	-20%	-13.3%	-6.7%	0%	+6.5%	+13%	+19.5%	+26%	+32.5%
66	-25%	-20%	-13.3%	-6.7%	0	+8%	+16%	+24%	+32%
67	-30%	-25%	-20%	-13.3%	-6.7%	0	+8%	+16%	+24%

*Assumes person was born in 1943 or later.

Another way to look at this is to consider what the total benefits would be over your lifetime based on when you started receiving the benefits. This chart assumes a full retirement age of 66 and a monthly benefit of \$1000 at full retirement age with no cost of living adjustments.

	Total Lifetime Benefits		
	Begin at age 62 \$750 monthly benefit	Begin at age 66 \$1,000 Monthly benefit	Begin at age 70 \$ 1,320 Monthly benefit
Live to 70	\$72,000	\$48,000	0
Live to 75	\$117,000	\$108,000	\$79,200
Live to 80	\$162,000	\$168,000	\$158,400
Live to 83 (life expectancy)	\$189,000	\$204,000	\$205,920
Live to 85	\$207,000	\$228,000	\$237,600
Live to 90	\$252,000	288,000	\$316,800

Some Conclusions

Everyone should consider their personal and financial situations when deciding when to apply for Social Security retirement benefits. However, there are some general conclusions that may make sense for you.

- Unless you are planning to have a low paying job after age 62, there is a significant reduction in your benefits that will not be recovered.
- If you need Social Security benefits for living expenses, consider applying for them early.
- If you are in poor health, consider applying for benefits early.
- If you expect to live to normal life expectancy age, there is not a great difference in lifetime benefits between starting at 66 or 70 and only a small detriment to starting at 62.

- If you do not need the benefits for living expenses, are healthy, have a family history of long lives and expect to live past your life expectancy, delaying benefits to age 70 should be considered.

You should consider this matter carefully and be sure to understand all the implications of when you apply for Social Security benefits. Consider discussing this with your family, representatives from Social Security and your financial advisor.