



## When to Begin Social Security Benefits?

The question posed in the title of this newsletter is one of the most important questions that people in their 60's need to consider. While there is no 'one-size-fits-all' response, it is important to consider many factors:

- **Will you continue working past age 62?**
- **How is your health? How is the health of your spouse if you are married?**
- **Does longevity run in your family or the family of your spouse?**
- **Do you need the money now, or can you afford to wait until normal retirement age (66-67), or even later?**

Let's address some of these issues. **First**, if you are going to continue to work past age 62 and you will earn more than \$13,000 in 2007, it may not be a good idea to start Social Security. Why? For every two dollars that you earn above \$12,960, Social Security will reduce your benefit by one dollar. So, let's say you are age 62 and you expect to collect \$15,000 in Social Security this year if you were to begin benefits. Let's also assume you plan to work this year and will earn \$30,000. Your earnings are more than \$17,000 above the Social Security earnings limit; hence, your benefit will be reduced by half of this \$17,000 or \$8,500. Since your expected benefits for the year were \$15,000, this amount will be reduced to \$6,500. Not a good idea to apply for Social Security benefits in this scenario!

If you will not be working past age 62, or you **know for certain** your earnings will be below this earnings limitation, then taking Social Security is worth considering. (Note: I'm not saying it is the right decision, only worth considering along with other factors.)

**Second**, if you are in good health then this would be one factor in favor of delaying your Social Security benefit. Why? By delaying your benefit, you will receive an increased benefit. If you are in good health, you will have a good reason to believe that you will live longer than the 'average' person. The health of your spouse is also a consideration if your spouse's benefit will be determined on your benefit. (In many situations, that is the case.)

**Third**, how long did your parents live? If longevity runs in your family then waiting to take Social Security should be a consideration. If your parents both died at relatively early ages, then starting Social Security earlier may not be such a bad idea.

**Finally**, do you need the money to live on right now? If you have other sources of income and can draw down some of your savings for a few years, then it is certainly worth a consideration to put off receiving Social Security. Why? In my opinion, the greatest risk to retirees is longevity risk.

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While many people may not think they will live to a certain age, the reality is that we are living longer and longer as a result of breakthroughs in medicine. The fastest growing segment of our population is people over the age of 85! If you consider that your benefit at age 62 is 25% lower than a benefit at normal retirement age, think about how happy you will be at age 90 receiving those larger Social Security checks. (It may not seem plausible, but you may very well be healthier than you can possibly imagine right now)

**In summary**, all of the factors discussed here are just that: many factors to consider in making a very important decision. I would also like to point out that the Social Security system is an insurance system first and foremost. Its purpose is to provide for those in our society who would otherwise find themselves below the poverty line.

While many people like to guess as to how they can get 'the most out of the system,' it is only a guess. Ultimately, unless you know when you are going to die, you cannot know in advance exactly the 'right' time to begin receiving payments. Your decision should be based on many factors that are specific and personal to your situation.

**For additional information** on how to determine the correct time to begin Social Security payments for you, feel free to call Ken Weingarten at (609) 620-1770.

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