



When to claim Social Security benefits - part II

This piece is a follow-up to our previous email blast, "When to claim Social Security benefits," which went out earlier in April 2011. We anticipate at least one more message on the subject, which will go into some of the claiming strategies in more detail.

For Social Security purposes, Full Retirement Age (FRA) for anyone born *after 1942 and before 1955* is 66. However, more and more people these days are choosing to claim Social Security benefits as soon as they turn age 62. This may not be the best choice. If you start collecting Social Security benefits at age 62 and your Full Retirement Age is 66, your monthly benefit will be 75% of the amount you would receive if you waited until FRA to begin collecting, subject to cost of living adjustments. Your monthly benefit will be reduced for the rest of your life. Even if you do not work past age 62, your monthly benefit will be much higher if you wait until Full Retirement to begin receiving benefits.

This assumes that you are collecting a benefit based on your own earnings record, rather than a spousal benefit. In general, to claim a spousal benefit your spouse must have already filed to claim his or her own benefit. (Different rules apply if you are divorced.) If you do collect a spousal benefit before your Full Retirement Age, it will also be reduced compared with the amount you would receive if you waited until FRA.

If you start collecting before FRA and continue to work, there is a limit to how much you can earn. If you exceed this limit, your benefit amount will be reduced until you reach Full Retirement Age

If you are under FRA for the entire year, Social Security will deduct \$1 from your benefit payments for every \$2 you earn above the annual limit, which is \$14,160 for 2011. The limit does not apply to earnings received during the year you start receiving benefits, if you have no earnings after you start collecting, for the rest of the year.

In the year you reach FRA, Social Security will deduct \$1 in benefits for every \$3 you earn above a different limit, which is \$37,680 in 2011, but only for earnings received before the month you reach Full Retirement Age. Starting with the month you reach FRA, there is no limit on how much you can earn – your benefits will not be affected.

When you reach Full Retirement Age, Social Security will recalculate your benefit amount to leave out the months when benefits were reduced or withheld due to your excess earnings. This will have the effect of increasing your monthly benefit.

In general, we recommend waiting to claim Social Security benefits until you reach FRA or even later, if you can afford to wait and depending upon your health and life expectancy. Of course every case is different and specific to the individual or couple. We recommend that you consult with a financial advisor who can help you sort through the factors that go into making the decision. Please feel free to contact us for assistance.