



When to claim Social Security benefits - part III

This email continues our discussion about when to start claiming Social Security benefits. Instead of looking at the immediate benefit, consider what strategy will provide the greatest cumulative benefit during the course of your lifetime, or the combined lifetimes of you and your spouse if you are married.

For a single person in good health, with an average life expectancy and other sources of income, most of the time it makes sense to delay filing for Social Security benefits until age 70. If your Full Retirement Age ("FRA") is 66*, your monthly benefit will increase by 8% for every year you wait to collect until you reach age 70, even if you have stopped working altogether. Your monthly benefit at age 70 is 132% of what you would receive at age 66, plus cost of living adjustments. If you are still working past age 66, your earnings could boost your monthly benefit even higher.

For married couples, the choice of an optimal claiming strategy is more complicated. A married person has a Social Security benefit based upon his or her own earnings record, and a spousal benefit based upon his or her spouse's earnings record. You can receive one or the other, but not both.

If you file for Social Security benefits before reaching your Full Retirement Age, you will receive the greater of the benefit based on your own earnings or your spousal benefit - both of which are reduced for claiming early - you do not have a choice.

If you wait until attaining your FRA to file, your spousal benefit is 50% of your spouse's monthly benefit at his or her FRA. At or after reaching FRA, you have the choice to claim a benefit based upon your own earnings record or your spousal benefit, even if it is lower. Why would you ever choose to collect a spousal benefit that is less than the one based upon your own earnings record? Because this enables your own benefit to continue growing - earning Delayed Retirement Credits - at 8% a year until age 70. You can switch to your own benefit at any point. This strategy is referred to as "*Claim Now, Claim More Later.*"

A related strategy is called "*File and Suspend.*" In order for one spouse to claim a spousal benefit, the other spouse must have filed for his or her own benefit. (Different rules apply to divorced spouses.) Once he reaches FRA, one spouse

* To see your Full Retirement Age, go to http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/14

can file and suspend his claim for benefits. This enables the other spouse to file for spousal benefits while the first spouse's benefit continues to earn Delayed Retirement Credits.

A spousal benefit does not earn Delayed Retirement Credits. Only one spouse can claim a spousal benefit based upon the other spouse's earnings record, not both spouses.

If the higher earning spouse dies first, the surviving spouse steps into the deceased spouse's benefit, but loses his or her own separate benefit.

To give an example: Suppose Husband and Wife both just turned 66 and that if they both file for Social Security now, H would receive \$2000 per month and W would receive \$2200 per month, based upon their respective earnings records. One option is for W to file and suspend, and for H to start collecting a spousal benefit of \$1000 per month now. In the meantime, both H and W are earning Delayed Retirement Credits on their own benefits until they reach age 70. At any point H can switch to his own benefit, and W can start collecting her own benefit. This enables H and W to maximize their combined benefits for the rest of their lives.

Every case is different and specific to the individual or couple, depending upon considerations such as your health, life expectancy and financial circumstances. We recommend that you consult with a financial advisor who can help you sort through the factors that go into making the decision. Please do not hesitate to contact us for assistance.