

Understanding Your Social Security Options

(Updated: 8/11/2014)

As you near retirement, you're bound to have many questions about social security. Deciding when to start taking benefits is one of the most important considerations, as it can affect the amount of your monthly payment.

When are you eligible to apply?

You're eligible to receive your full social security benefit at your full retirement age (FRA), which is between 65 and 67, depending on the year you were born. But you don't have to wait until your FRA to begin receiving benefits; you may apply for social security as early as age 62. Keep in mind, however, that the earlier you begin receiving benefits, the lower your monthly payment will be. On the other hand, if you decide to delay benefits, your payment will increase by a predetermined percentage for each month you delay retirement, up to age 70.

Can you collect while you're still working?

You can continue to work while collecting social security, but this could initially reduce your monthly benefit, depending on the amount of income you earn between age 62 and your FRA. Once you reach FRA, your benefits will be recalculated to take into account any earnings by which your benefit was offset. Only the amount you earn from work *after* you apply for social security is factored into the excess earnings test. Earnings you receive prior to your retirement month will not offset your benefits when you retire midyear.

What about spousal benefits?

Your spouse can receive a dependent benefit of up to 50 percent of your full retirement amount if he or she applies at FRA. Benefits paid to your spouse will not decrease your retirement benefit. If your spouse claims spousal benefits before FRA, he or she is deemed to be applying for both his or her own worker benefit (if any) and for spousal benefits. If your spouse's own record produces higher benefits, he or she will receive that amount. If the spousal benefit amount is higher, your spouse will receive his or her worker benefit and an additional spousal benefit that equals the difference between the spousal benefit and the worker benefit, less any early retirement reductions.

Will your spouse's benefits be reduced if you retire early?

Your spouse's benefits will not be affected if you retire early. If your spouse applies for a spousal benefit before his or her FRA, any reduction will be based on his or her age at application.

What should you know about claiming survivor benefits?

As a widow or widower at FRA, you are eligible for 100 percent of what your spouse's benefits would have been if he or she were living, or for a benefit based on your own earning history. Reduced survivor benefits are available at age 60; because this reduction is not as severe as it is for early claims when both spouses are living, you may wish to consider taking social security early.

How reliable is your social security statement?

The social security statement assumes that you will continue to work at the same level of earnings. If you stop working but decide to delay benefits, your benefits may be lower. Use the Retirement Estimator on

the Social Security Administration website (www.ssa.gov) to see how not working could affect your monthly benefit.

Are there any general guidelines on when to claim benefits?

While everyone's situation is different, the following scenarios may help guide you to the best decision:

- **Take your benefits early if:**
 - You need the cash flow to pay for living expenses.
 - You prefer the flexibility of investing your benefits.
 - You are not in good health and are single.
- **Wait until your FRA if:**
 - You are still working and earning more than \$15,480 (2014).
 - You are married and your spouse's benefit based on work is less than 50 percent of yours.
 - You want to ensure the highest spousal benefit available.
- **Delay benefits up to age 70 if:**
 - You want to increase your monthly benefit.
 - You are very healthy and have a family history of long life expectancies.

Remember: Although social security is the main source of income for many retired people, it was never intended to be the only source. Be sure to give some thought to your overall retirement plan, including other savings, investments, pensions, and retirement accounts, to ensure that you'll have enough money to live comfortably when you retire.

As always, we're happy to discuss your options in depth and run financial models to help you make the best social security decision for you.