

STRATEGIES FOR CLAIMING SOCIAL SECURITY BENEFITS

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Most Americans rely on Social Security benefits for at least a portion of their retirement income. Along with personal savings, pensions and other income sources, Social Security can potentially be an important part of your personal financial picture once you retire. But just how big a role it plays depends on several factors, including when you decide to start taking benefits.

Social Security is probably one of the most significant guaranteed income streams that most people have. For many, choosing when to take Social Security benefits is the linchpin of their retirement planning.

Choosing when to take Social Security involves several factors, from rules governing the Social Security program to your own financial needs and goals. In addition, your health, family medical history and even marital status should play a role in your decision about when to begin taking benefits.

Finding the right age

In general, you're eligible for Social Security once you reach age 62. But there are benefits to delaying: For every year you wait, your benefits will increase. Benefits increase by roughly 6% each year between age 62 and your full retirement age-which is when you can receive full retirement benefits. (Full retirement age is 66 for those born from 1943 to 1954, but that threshold is scheduled to gradually increase to 67 over the next 15 years.)

Once you reach full retirement age, there's still a benefit to postponing Social Security benefits. Based on current laws, your full retirement benefits will increase by 8% for each year you wait between your full retirement age and age 70, when those delayed benefits stop rising.

For example: A man reaches the full retirement age of 66 this year and is eligible to receive \$1,230 a month-the average monthly Social Security benefit. If he had begun taking Social Security at age 62, his benefits would have been about \$923-a reduction of roughly 25%, based on the SSA's calculations. But if he delays past full retirement age, his full benefit of \$1,230 a month will increase by 8% each year he waits. If he waits just one year, he'll receive a monthly benefit if \$1,328. If he waits until age 70, his monthly benefit will rise to \$1,624.

Whether you take Social Security at 62 or 70-or any age in between-depends on a range of factors. For starters, you likely want to wait until you've stopped working to begin taking Social Security benefits, since the money you earn by working may significantly reduce your Social Security payments. If you're below full retirement age, every dollar you earn in 2012 over \$14,640 reduces your Social Security benefit by 50 cents. (You aren't penalized for earned income once you reach full retirement age.) If you're going to work, why start collecting Social Security at a reduced benefit? That's the first question you should ask yourself.

Also consider your retirement income picture. If you've saved diligently for retirement, you may be able to draw from those savings early in retirement instead of taking Social Security. But if

you're concerned that your savings may not last throughout retirement, taking Social Security may let you avoid drawing down your nest egg too quickly. If your Social Security payments represent money that you can't replace through other sources, you may want to take Social Security earlier.

Finally, take into account your health and your family's medical history when deciding the age at which to take Social Security. Delaying can increase your benefits, but you also run the risk of not living long enough to fully enjoy those larger benefits. We're not all going to live to be 100.

Maximizing your benefits

Deciding when to take Social Security is a personal decision, but married couples should work together to ensure that they're making the most of the program's benefits and opportunities. For instance, your husband or wife may choose to take spousal benefits starting as early as age 62—regardless of whether he or she has worked under the Social Security program. At full retirement age, spouses are eligible for roughly 50% of their partner's full retirement benefits. If spousal benefits are taken before full retirement age, they are reduced as the spouse gets further away from retirement age.

Individuals can elect to receive a portion of their spouse's benefits while deferring their own benefits, which continue to grow. In this case, a husband could reach full retirement age and take Social Security, then request to suspend those benefits. His wife could then take spousal benefits while the husband's delayed benefits continue to grow. What's more, once you reach full retirement age, you can choose whether to take your own benefit or your spousal benefits. And if you take spousal benefits, your benefits are allowed to keep growing until you either begin taking them or reach age 70. The point is, you certainly have more flexibility if you're married.

The decision to take Social Security can help make other financial goals more feasible. For instance, if it's important to leave money to your heirs after you die, your Social Security strategy may help make that possible. You can't pass Social Security benefits to your heirs, but the amount you receive from Social Security during your lifetime may allow you to preserve more of your retirement savings and boost the amount you can leave to the next generation.

No matter when you decide to take Social Security, your decision will affect the rest of your financial picture, from your portfolio's asset allocation to your retirement withdrawal strategy. Your financial planner can help you consider your options and choose an appropriate strategy for taking Social Security benefits. This is an important question for most people, and it deserves a careful response.

Talk to your financial planner about:

- The financial consequences of taking Social Security early or waiting till you're older
- How Social Security fits in with the rest of your retirement plan
- Ways that Social Security could affect your spouse and your estate plan