

Age-old Question

When Should You Begin Receiving Social Security Benefits?

BY TODD C. RATNER, ESQ.

More than 91% of current retirees receive monthly benefits from the government program known as Social Security. The program is very important to seniors, as nearly three out of five retirees receive at least half of their income from Social Security.

Furthermore, pensions and other related safety nets that were once commonplace have and continue to disappear from the workplace. As such, it is imperative that individuals understand their options as to when they should commence receiving Social Security retirement benefits.

Individuals must wait until their full retirement age in order to draw non-reduced Social Security benefits. For Baby Boomers (defined as those born between 1943 and 1954), full retirement age is at age 66. The threshold is increasing gradually until it hits 67 for workers born in or after 1960. However, an individual may elect to receive Social Security retirement benefits at age 62, which is what approximately one-half of workers do elect. But if an individual elects to receive benefits at age 62, there will be a permanent reduction in the amount of monthly benefits the individual can receive.

For example, if your full retirement age is 66, and if you file for benefits at 62, your monthly check will be reduced about 25% from your full benefit; file at 63, the reduction is about 20%; file at 64, the reduction is about 13.3%; file at 65, and the reduction is about 6.7%. But in the event that a person delays receiving Social Security benefits until after full retirement age, the retiree gets a bonus in the form of



If an individual elects to receive benefits at age 62, there will be a permanent reduction in the amount of monthly benefits the individual can receive.

delayed retirement credits. These annual increases apply for each year that a retiree delays retirement, up until the age of 70 years old.

Pros and Cons

There are several factors that an individual should weigh prior to deciding the proper age to receive Social Security benefits.

One such factor is whether or not they have other sources of income. If an individual has sufficient income, then it may be wise

75% of the full benefit, to come out ahead, the four-year investment return on those benefits would have to be about 8% a year. Therefore, Social Security is providing a guaranteed 8% return for waiting. If possible, it may be more beneficial to delay receiving benefits and use other investments for that four-year period.

Another factor is whether or not a person wishes to continue working. An individual is not required to stop working to receive benefits. However, if a

Determining the best age to receive Social Security benefits is a complicated endeavor. It is best to recognize that the decision ... is highly personal and depends upon individual circumstances.

to defer the benefits until full retirement age or later. Even if an individual must retire at age 62, it might be a good idea to delay receiving benefits if he or she has other savings and investments to cover living costs.

In the event that an individual elects to receive early benefits at

benefit. Many people would prefer to continue working as long as possible. However, for those who continue to work, this may make taking benefits early an unwise decision. For individuals not working, the reduction may not apply.

As the U.S. employment market turns toward service jobs and away from labor-intensive jobs, that preference might become easier to meet. A laborer who has a physically demanding job may not have the luxury of working beyond age 62 because he or she is not physically able to do so, while an individual in an office or other non-labor-intensive job may not face the same physical impediment to continue working.

Still another factor is an individual's health. If an individual is in poor health, which may reduce their life expectancy, then electing an early benefit may be a wise decision.

For example, someone in poor health at age 62 may not live to be age 77, the statistical break-even point. Due to poor health, this individual may no longer be able to work and would need Social Security payments at age 62 to survive financially.

Yet another factor is an individual's marital and family status. A spouse can receive the greater of his or her own benefit or one-half of the spouse's benefit. Individuals can receive a spouse's benefit only when their husband or wife has also begun collecting benefits. Your children may also be eligible for a benefit on your work record if they are under age 18 or if they have a disability that began before age 22. For them to receive benefits, you must be getting benefits too.

person elects to continue working and to receive benefits before full retirement age, then that individual faces a potential reduction in benefits.

Specifically, for every two dollars a person earns over \$14,160 annually in 2009, there is a \$1 reduction in the Social Security

The Medicare Factor

Another important and often overlooked concern is the payment of Medicare premiums. Currently, individuals become eligible for Medicare benefits at age 65, regardless of when they elect to receive Social Security benefits.

Typically, Medicare Part B premiums are automatically deducted from an individual's

monthly Social Security benefit. For those who elect to receive their benefits later than age 65, they must pay their premiums by other means until they begin drawing Social Security.

Unfortunately, some individuals forget to pay these premiums, and their Medicare benefits lapse. They may re-enroll, but they are penalized and have to pay a higher premium.

In sum, determining the best

age to receive Social Security benefits is a complicated endeavor. It is best to recognize that the decision about when to commence receiving Social Security benefits is highly personal and depends upon individual circumstances. An estate-planning attorney and other financial professionals can assist you in navigating this process.v

Todd C. Ratner is an estate-plan-

ning, business, and real-estate attorney with the Springfield-based law firm of Bacon Wilson, P.C. He is a member of the National Academy of Elder Law Attorneys and recipient of Boston magazine's 2007 and 2008 Massachusetts Super Lawyers Rising Stars award; (413) 781-0560; tratner@baconwilson.com; bwlaw.blogs.com/estate_planning_bits