



Ten Strategies to Maximize Your Social Security Benefits



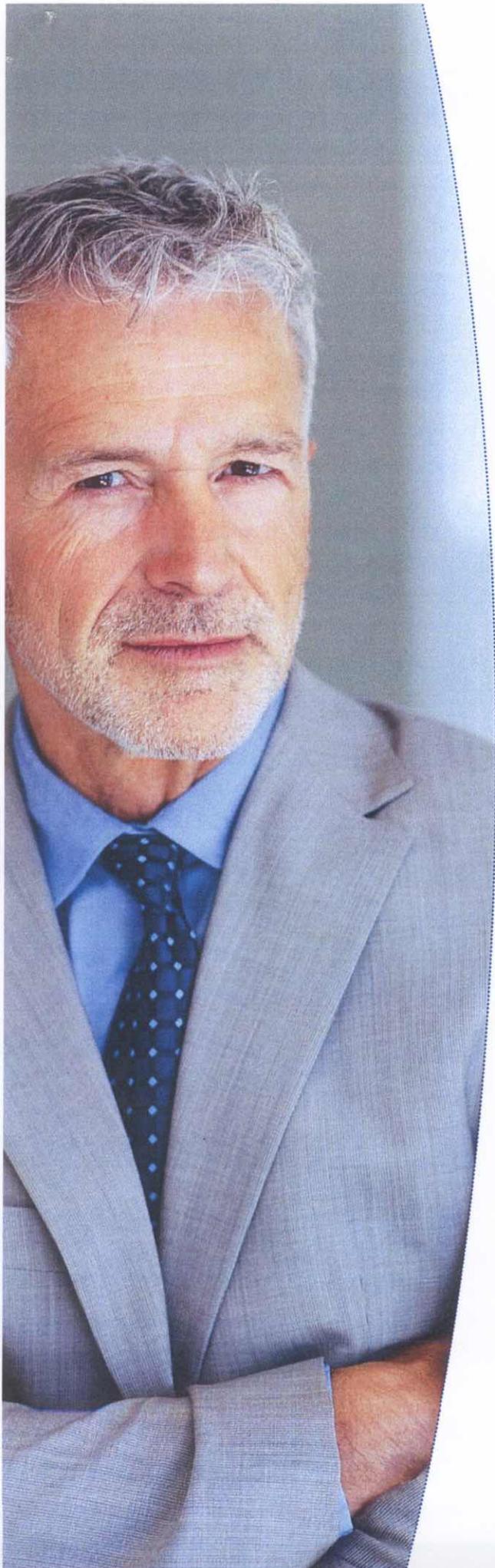
How and When Should You File?
Know the Rules of Engagement

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A Quick Background

Social Security benefits are an often-ignored component of retirement planning. Unlike other retirement savings vehicles, many Americans expect that Social Security benefits will just be there for them. And so far, that thinking has been true. The fact that Social Security benefit levels do not fluctuate with market downturns or interest rate declines is a huge advantage.

However, just because Social Security benefits are reliable, doesn't mean the planning should be ignored. In fact, they deserve careful consideration. WHEN you take your benefits and HOW you take your benefits can greatly impact the total lifetime benefit you can collect. It's important to know the rules of engagement so you don't inadvertently leave money on the table. In fact, the average married couple leaves roughly \$14,000 of lifetime benefit uncollected according to financial expert Ken Davis.¹

The Social Security's Handbook has 2,728 separate rules¹ governing benefits and many code changes were enacted in 2000, so it's no wonder that many people fail to understand all of the options available to maximize their benefits.

The Fundamentals

Under Social Security guidelines, “full retirement age” (also called “normal retirement age”) varies according to the year you were born. For example, if you were born in 1946, your full retirement age is 66. You can find a retirement age calculator online at ssa.gov. The earliest you can claim primary worker Social Security retirement benefits is age 62. When you reach full retirement age, you are eligible to receive full benefits. However, you can start collecting a reduced benefit amount as early as age 62. If you were born in 1946 and started collecting benefits at age 62, you would receive only 75 percent of your full retirement benefit. This is because you are getting benefits for four more years than you would have if you started at the full retirement age of 66.

In addition, you can choose to delay the receipt of benefits until sometime after your full retirement age. A person born in 1946 gets a delayed retirement credit of 8 percent for each year of delay up until age 70,⁴ making this an attractive option for those with long life expectancies. If you take the maximum delay, it can increase benefits by 32 percent, meaning that someone with a \$2,000 benefit would instead earn \$2,640 every month for life!

Working spouses have options because they are eligible for either primary worker benefits or spousal benefits of 50 percent of the other spouse’s primary insurance amount – or both, as long as the benefits are used one at a time.

Social Security Benefits

If eligible, you can use any of these benefits, but only one at a time. By choosing which benefit to use at which time, you can strategically increase your lifetime benefit amount. The three types of Social Security benefits are:

- Primary worker benefit
- Spousal benefit
- Survivorship benefit

To learn more about social security benefits and to use the online retirement age calculator, go to www.ssa.gov

Creative Strategies to Consider (For Married Couples)

Creative Strategies to Consider

For Ex-Spouses:

Make the most of past relationships. If you were married for at least 10 years, and you did not remarry before age 60, you can collect spousal and survivor benefits on your ex-spouse.²

For Survivors:

- Reassess benefits when circumstances change. When your spouse dies, you need to assess if it's best to continue your own benefit, or to re-file and get the survivorship benefit.¹ The surviving spouse is eligible for 100% of the deceased spouse's benefits, and can switch from a primary worker benefit to a survivorship benefit.
- Don't forget ex-spouses! If a person has a spouse who died and an ex-spouse (with marriage for at least 10 years) who also died, that person can choose between the spouse and the ex-spouse's survivorship benefits – choosing whichever benefit is bigger.

- **Consider filing early if you are the low-earning spouse:** If you are the lower earning spouse, it often makes sense to collect your own benefits at age 62 and then switch to spousal benefits at your full retirement age. However, be careful that your spouse is not collecting primary worker benefits when you begin your benefits. According to Kotlikoff, "If you take your own retirement benefit early and are below full retirement age, you will be forced to take your spousal benefit early and at a permanently reduced level if your spouse collects his/her retirement benefit before or in the month in which you apply to collect your retirement benefit."²

- **Coordinate your start dates with the goal of boosting benefits for the surviving spouse:**

Surviving spouses receive 100 percent of the other spouse's benefit if they take the survivor benefit at or beyond full retirement age. The benefit will include any of the higher earner's delayed retirement credits and cost-of-living adjustments. The widow or widower can claim a survivor benefit as early as age 60, but the benefit will be reduced if the survivor collects before full retirement age.⁵

Note: Kotlikoff warns that if you use this strategy, it's important to pay your Medicare Part B premiums out of your own pocket during the suspense period. If you don't, Social Security will pay it for you and treat you as waiving (not suspending) your benefit which means you won't get your Delayed Retirement Credit.²

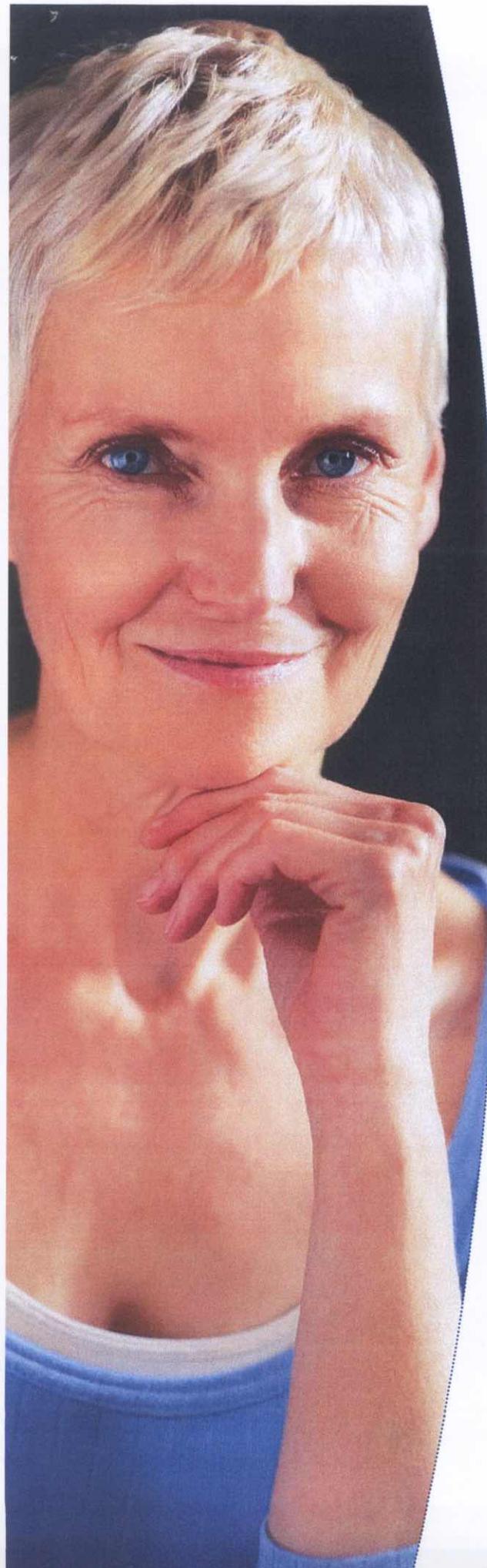
- **Consider delaying the primary wage earner's**

benefits: If just one spouse is expected to live well beyond age 80, the couple's cumulative lifetime benefits will usually be highest if the higher earner delays claiming his benefits until 70, according to a (Kiplinger.com) article citing research by William Meyer and William Reichenstein.⁵ This rule is particularly helpful if there is a big age difference between the spouses.

- **Use the File and Suspend rule to trigger spousal**

benefit eligibility: A spouse cannot file for spousal benefits until the other spouse has filed for primary worker benefits. However, the primary worker can file for benefits to trigger spousal benefit eligibility. Then, the primary worker can suspend and delay benefits until age 70 as an income maximization strategy.^{5,7} For example, if Mary is at least age 62, she can file a restricted application for a spousal benefit only. Her primary worker benefit continues to grow while she receives the spousal benefit. When she reaches age 70, she can turn off the spousal benefit and begin collecting her primary worker benefit. Meanwhile, Bob's benefit has also continued to grow, earning the extra 8 percent for every year of delay.





Creative Strategies to Consider (For Primary Workers)

• **Use it or lose it:** If you don't use your Social Security benefits, you will lose them. So, it's a good idea to start looking at your Social Security options by age 60. The earliest primary worker retirement benefits start at age 62. And survivors can file for benefits at age 60.

• **Waiting until age 70 may be advantageous:** According to Laurence Kotlikoff,¹ your delayed-to-age-70 benefit can be as much as 76 percent higher than your age-62 retirement benefit, adjusted for inflation. The reason is that your benefit is not reduced due to Social Security's Early Retirement Reduction; moreover, it's increased due to Social Security's Delayed Retirement Credit. For many people, the increase in the retirement benefit can be even higher if they continue to earn money after age 62 thanks to Social Security's Recomputation of Benefits.

• **Consider the "Start-Stop-Start" strategy:** If you're under age 70 and already collecting benefits, you can suspend benefits and restart them at age 70. In some cases, this could result in up to a 32 percent benefit increase, for the rest of your life.¹ This means a \$2,000 benefit could become \$2,640!

When Should You Claim Benefits?

According to Davis, 60 percent of Baby Boomers begin collecting benefits at age 62.2 However, just because everyone is doing it doesn't mean that it's the best choice for you. There is no hard and fast rule, and every person's situation is unique.

- **When do you want to retire?**
- **Can you afford to delay Social Security benefits?**

(by funding your early retirement years from other sources of savings?)

- **How long do you expect to live?** Use family history and mortality tables to make an estimated guess. If your life expectancy is short, it may not be worth your time to delay benefits for the purpose of maximizing the lifetime benefit amount.

- **Are you eligible for spousal benefits?** Would it make sense to claim spousal benefits before you begin collecting your own?

- **What are current interest rates?** According to a January 13 article in Kiplinger.com, when interest rates are close to 0% - or even up to 2.9% - the value of the future Social Security benefits is considerably higher than what you can receive if you placed the money in safe investments or an immediate annuity.⁵

- **Should you consider working longer?** Kotlikoff says that Baby Boomers can significantly increase their retirement benefits by working into their sixties.²

A Final Note

Maximizing Social Security benefits is no easy task, so don't go it alone! Research the rules so you're informed and then partner with a Social Security expert and your tax advisor to determine your best options.

Resources

1. **"44 Social Security Secrets all Baby Boomers and Millions of Current Recipients Need to Know – Revised!"**
by Laurence Kotlikoff
<http://www.producersweb.com/files/b/6d/6d5c60484fd23295e662c56635f00cf7.pdf>
2. **Ken Davis, CLU, ChFC, CFP as quoted on ProducersWEB.com in an October 16, 2012 interview with Steve Savant**
by Laurence Kotlikoff
<http://www.producersweb.com/r/pwebmc/d/contentFocus/?pclD=c1725d10b52252cbce5127ce45b45957#>
3. **Social Security calculator at**
<http://www.ssa.gov/retirement/1943.html>
4. **Social Security Early or Late Retirement Page:**
http://www.socialsecurity.gov/OACT/quickcalc/early_late.html
5. **Kiplinger.com, January 13, 2013 "Strategies to Boost Your Social Security" By Susan B. Garland**
<http://www.kiplinger.com/article/retirement/T051-C000-S004-strategies-to-boost-your-social-security.htm-1#MRb50AiWclYQzlpf.99>
6. **Ken Davis, CLU, ChFC, CFP as quoted on YouTube in a January 19, 2013 interview with Steve Savant**
<http://www.youtube.com/watch?v=-5apboxGjE>
7. **Ken Davis, CLU, ChFC, CFP as quoted on YouTube in a October 17, 2012 interview with Steve Savant**
<http://web.pw.sbmcloud.com/r/pwebmc/d/contentFocus/?pclD=f181fcd51ced250c254ddf729586a157#>



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