

Social Security Planning

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Ever since President Franklin D. Roosevelt signed off on the **1935 Social Security Act**, most Americans have ended up pondering this critical question as they approach retirement:



The "right" answer to this common query remains as elusive as ever. It depends on a wide array of personal variables. It depends on how Congress acts. It depends on how the unknowable future plays out.

No wonder many families find themselves in a quandary when it comes to taking their Social Security benefits. Let's take a closer look at how to find the right balance for you.

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Part 1
Balancing Act

For Social Security planning purposes, you reach full retirement age (FRA) between ages 66–67, **depending on the year you were born.** However, you can generally begin drawing Social Security benefits as early as age 62 (with the lowest available monthly starting payments) or as late as age 70 (for the highest available monthly starting payments).

Retirees are often advised to wait until age 70 to begin taking Social Security.



In raw dollars, waiting to take your Social Security often works out to be the best deal for many families. Plus, these days, many of us choose to work well into our 70s and beyond. **Some analyses** have even factored in the cost of spending down other assets while you wait, rather than using them for continued investment growth. The conclusion is the same.

However, you're not "many families." You're your family. Your personal and practical circumstances may mean this general rule of thumb won't point to your best choice.

Following are some of the most common factors that may influence whether to start taking Social Security sooner or later.

Part 2
Influential Factors

These are seven of the most common factors that may influence whether to start taking Social Security sooner or later.

1 **Alternate Income Sources:** First, and perhaps most obviously, if you have few or no alternate income sources once your paychecks stop, you may not have the luxury of waiting until you're 70. You may need to start taking Social Security as soon as possible.

2 **Life Expectancy:** To at least break even, if not come out ahead, by waiting until age 70 also assumes you'll meet or exceed the age **the Social Security Administration estimates** someone your age and gender is likely to reach, based on the averages. Even if you can afford to wait, you'll want to factor in whether your health, lifestyle, and family history justify doing so.



3 **Estate Planning:** Have you placed a high or low priority on leaving as much as possible to your heirs and/or favorite charities after you pass? Your preferences here may influence how, and from where you'll spend down your inheritable estate, which in turn may influence the timing of your Social Security enrollment.

4 **Employment:** How likely is it you'll keep working until your FRA? Once you reach it, you can collect full Social Security benefits, even if you're still working. But until then, **your earnings** may reduce your Social Security benefits.

5 **Marital Status:** If you're married, one of you has probably paid in more, one is likely to live longer, you may retire at different times, and your ages probably differ. All these factors can complicate the equation. You'll want to consider the timing, rules, and outcomes under various scenarios—such as when and whether to take Social Security as an earner, the spouse of an earner, the widow or widower of an earner, or an ex-spouse of an earner—while also factoring in whether you and/or your spouse are still working prior to your FRAs, as described above. Ideal start dates for one scenario may not be ideal for another.

6 **Other Circumstances:** Beyond your marital status, there are other factors that may influence your timing decisions if they apply to you—such as if you're a business owner, you live abroad, you qualify for **Social Security Disability**, or **your children qualify** for Social Security benefits under your account.

7 **Income Taxes:** We find many pre-retirees don't realize that up to 85% of their Social Security income may be **taxable.** Your annual Social Security income also figures into your **modified adjusted gross income (MAGI),** which can push you past thresholds for incurring Medicare surcharges (beginning at age 65, based on your MAGI from two years prior). Bottom line, broad tax planning may influence your timing as well.

Part 3
Degrees of Control

Clearly, there's a lot to think about when deciding when to start taking Social Security. Whether you're going it alone or with a financial planner, here's one piece of advice that should help:

Control what you can. Let go of what you can't.

What do we mean by that? There are many known factors you can include in your Social Security planning. You know your marital status. You can access **your Social Security account** and/or **use a calculator** to estimate your benefits. You can make educated guesses about your life expectancy, how long you'll work, and so on. Also, if you've delayed taking Social Security past your FRA, you may be able to change your mind ... to a point. You can file to collect up to **six months of retroactive benefits** if you end up needing the income sooner than planned.

You can use all of this planning information and more to make reasonable assumptions and timely decisions about when to take your Social Security.

Overwhelmed? The next section will cheer you up.



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Part 4
Go Easy on Yourself!

We recommend going easy on yourself if (or more realistically, *when*) some of your plans don't go as planned. Come what may, you've done your best!

Instead of channeling energy into regretting good decisions made, use it to make judicious adjustments whenever new assumptions arise.

By consistently focusing on what we know rather than what we hope or fear, we remain best positioned to shift course as warranted in the face of adversity.



Whether you're planning to file for Social Security or you're already drawing it, we relish the opportunity to help you and your family make good choices about when, and how to manage your available options.



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Make smart financial decisions.

It all starts with a 15-minute introductory call.

Schedule yours today:

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