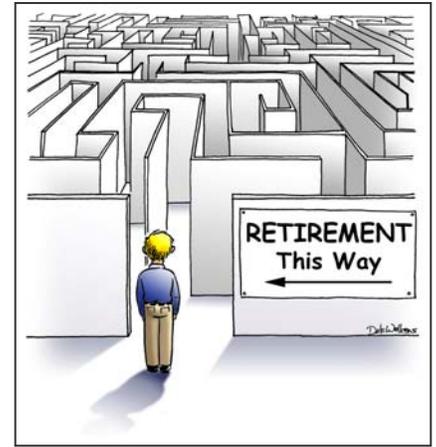


Social Security: Timing Is Everything

Like death and taxes, it's a given that Social Security (SS) will be there for you when you retire. (Paid for in inflated dollars from money that the government has to borrow or print, but that's a subject for another column.)

What isn't obvious, though, is how to time the start of your withdrawals in order to maximize your lifetime benefits. According to a recent survey by SocialSecurityTiming.com, a majority of married couples in their 60s lack the knowledge about how to maximize their SS benefits. The Social Security Administration (SSA) has a Web site that helps calculate SS income, but little on the best withdrawal strategy. In the same survey, 77 percent of respondents expected to receive help from the SSA on how to maximize their SS benefits, but SSA employees are actually prohibited from giving out advice.

Navigating the Retirement Maze



While I can't cover all of the methods for maximizing your SS payout, this column should prove you with some guidance on the subject.

Factors to Consider

As of 2009, 74% of those eligible for SS benefits started their payments at the earliest possible age (62), perhaps not realizing that by doing so they were potentially losing over \$200,000 in lifetime benefits. Generally speaking, "Later is better" for starting SS payments, but like most financial decisions, "It depends..."

Factors affecting optimal start date selection include:

- Year of birth; age difference of spouses
- Marital status
- Lifetime SS payroll deductions
- Earned income after age 62
- Health and estimated life expectancy
- Savings, assets, other income sources

With all of these variables to consider, it's not surprising that most people opt for the easy choices when it comes to selecting a start date. There are, however, some basic principles to help simplify the process.

Singles: The Easy Calculation

For people who have never been married, choosing a start date depends primarily upon two factors: life expectancy and projected earned income. Considering that the single biggest risk to depleting retirement savings is longevity, delaying SS payments provides the least expensive long-term financial protection. Starting payments at 70 rather than 62 results in an increase of 76% to monthly checks.

The other reason to delay is if you have earned income. Starting SS payments at age 62 means foregoing \$1 for every \$2 of earned income above \$14,160 annually. Upon reaching your full retirement age (FRA), the earnings cap disappears.

Couples: Now It Gets Tricky

Now consider two spouses of different ages, income levels, health issues, and possible second marriages, and it starts getting complicated. There's also the need to distinguish between SS benefits received based on one's earning history, and "spousal benefits" from a spouse's earnings.

The best way to maximize lifetime SS income here is to examine multiple scenarios and decide which one works best for your particular situation. The SSA provides a calculator on its Web site, though it isn't very good at comparing different side-by-side scenarios or doing a "what if" analysis. Several Web sites provide more detailed calculators, some free and some for a nominal fee. Many financial advisors have access to more sophisticated SS optimization programs, so check with your advisor to see whether they provide this service.

Two "rules of thumb" for couples are: a) maximize the benefits for the spouse expected to live the longest, and b) have the higher earning spouse delay collecting benefits until age 70. Other strategies that can be employed include:

- "File and suspend" –Where one spouse has been the major breadwinner, he/she files early and then suspends their own payments until later. This increases the "spousal benefits" that their spouse begins receiving immediately, without reducing their own future SS income.
- "Claim some now, more later" – Where both spouses have similar incomes, one claims spousal benefits at their FRA, and switches to his or her own benefits at age 70.

Divorced spouses and widows/widowers have additional rules to consider regarding withdrawals.

Confused Yet?

Simple? Hardly. Important? Absolutely. The decision about when to commence SS benefits has high dollar implications for your retirement. It's worth putting in some effort at the front end so as not to leave any money on the table later. You spent your entire work life paying into SS, so you should make sure that you're getting the full benefits to which you're entitled.

George Gagliardi is a financial planner with Coromandel Wealth Management in Lexington, and helps clients develop and implement retirement strategies. He is affiliated with Trust Advisory Group, Ltd., a Registered Investment Advisor, and can be reached at (781) 728-9001 or george@coromandelwm.com. This article is intended for general information purposes only, and may not be appropriate for your specific circumstances. Investment advice is particular to each individual, and should only be given after an individual situation has been reviewed.



Coromandel Wealth Management
15 Muzzey Street
Lexington, MA 02421

Phone: 781.728.9001
info@CoromandelWM.com
www.CoromandelWM.com