

# Social Security Guide

*Luck is not a Retirement strategy.....Careful planning is.*

Thinking about retiring sometime soon? If so, it's time to start considering a strategy for maximizing Social Security benefits. This chart will help you understand the basic benefits and eligibility requirements. Then we'll look at some of the strategies to consider for determining the most opportune time to take those benefits. Except as otherwise noted, the source of information in this guide is the Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

First let's start with **The Basics**.

**Eligibility:** When are you eligible to receive Social Security benefits (Primary Insurance Amount - PIA)?

| Full Retirement Age (FRA)* | The age you're eligible for full or normal retirement benefits. |
|----------------------------|-----------------------------------------------------------------|
| Year of Birth              | Full Retirement Age (FRA)                                       |
| 1937 or earlier            | Age 65                                                          |
| 1938 – 1942                | Age 65 + 2 months for every year after 1937 until 1943          |
| 1943 – 1954                | Age 66                                                          |
| 1955 – 1959                | Age 66 + 2 months for every year after 1954 until 1960          |
| 1960 and after             | Age 67                                                          |

\*Earnings of any amount do not reduce SS benefits.

**Early or Late Benefits:** You may start receiving benefits at age 62 or delay benefits until age 70.

| Early Retirement - Age 62* - Reduced Benefits |                           | Late Retirement – Age 70 – Increased Benefits |                           |
|-----------------------------------------------|---------------------------|-----------------------------------------------|---------------------------|
| FRA                                           | Monthly Benefit Reduction | Year of Birth                                 | Annual Increase to age 70 |
| 65                                            | 20%                       | 1939 – 1940                                   | 7%                        |
| 66                                            | 25%                       | 1941 - 1942                                   | 7.5%                      |
| 67                                            | 30%                       | 1943 or later                                 | 8%                        |

\*Earnings above \$14,640 per year reduce benefits by \$1 for each \$2 of earnings.

**Beneficiaries:** Who (other than you) can collect benefits based on your eligibility for benefits?

| Your Spouse                                                                                                                                                                                        | Benefit Amounts                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Age 62 or over</li> <li>Any age, with your child under age 16 or disabled child under age 22</li> <li>Age 60 if widowed, age 50 if also disabled</li> </ul> | <p><b>Spousal:</b> 50% of your primary insurance amount (PIA).</p> <p><b>Survivor:</b> Generally, 100% of your benefit.</p> <p>Benefit amounts could be higher based on your spouse's own earnings history or reduced if taken before FRA.</p>                  |
| Your Ex-Spouse                                                                                                                                                                                     | Benefit Amounts                                                                                                                                                                                                                                                 |
| <p>Age 62 or over if married at least 10 years. Must not be currently married &amp; not entitled to equal or higher benefits based on their own work record.</p>                                   | <p><b>Spousal:</b> 50% of your primary insurance amount (PIA).</p> <p><b>Survivor:</b> Generally, 100% of your benefit.</p> <p>Spousal/Survivor benefit amounts could be higher based on your spouse's own earnings history or reduced if taken before FRA.</p> |

**Historical Cost of Living Adjustments (COLAs):** 10 year average = 2.53%

| Year | COLA % | Year | COLA % |
|------|--------|------|--------|
| 2002 | 1.4%   | 2007 | 2.3%   |
| 2003 | 2.1%   | 2008 | 5.8%   |
| 2003 | 2.7%   | 2009 | 0%     |
| 2005 | 4.1%   | 2010 | 0%     |
| 2006 | 3.3%   | 2011 | 3.6%   |

## Break-Even Analysis:

**Q. How long does it take to break-even?**

Regardless of when you decide to start receiving benefits (age 62, age 66 or age 70), the actuarial break-even point is around age 81 according to the Social Security Administration (SSA). This means the total payout would be about the same regardless of the age you start taking benefits. If you consider the time value of money (TVM) the break-even point could be even earlier. However, the TVM approach does not take into consideration the considerable value of the COLAs or the potential for significant surviving spousal benefits which also have COLAs.

Now let's consider **The Strategies**.

According to the SSA over 70% of recipients take benefits early - 76% women & 71% men. Many recipients don't give much thought to making that decision or considering its impact on the rest of their life. They should. *Luck is not a Retirement strategy.....Careful planning is.*

**Things to Consider:** The following factors can impact your decision:

- |                                                                      |                                                          |
|----------------------------------------------------------------------|----------------------------------------------------------|
| • Do you need the money now?                                         | • Is there a significant difference in spousal earnings? |
| • Are you married?                                                   | • What's the health status of you and your spouse?       |
| • Is there a significant age difference between you and your spouse? | • What's your family longevity history?                  |
| • Will you (or can you) work during retirement?                      | • When will you need the money?                          |

**Tactics:** Tactical strategies designed to get the most sustainable lifetime income.

### Single Women:

Since women usually live longer than men they are sometimes better off postponing benefits as long as they can (age 70 if they can afford to) and take the higher COLA lifetime monthly income. However each situation is unique and thoughtful consideration must be given before making the final decision.

### Single Men:

Since men usually don't live as long as women, they are sometimes better off taking benefits earlier than single women. Men should resist the temptation to take benefits before FRA (age 65 to 67 depending on year of birth). However each situation is unique and thoughtful consideration must be given before making the final decision.

### Married Couples:

#### • File & Suspend:

Jim & Kathy, both age 62, plan to delay taking SS benefits until age 70 to maximize income benefits for both of them. However, when they're 66 Jim files for his benefits & then immediately suspends his application allowing Kathy to file for spousal benefits based on his higher earnings. This allows Kathy to start collecting 50% spousal benefits at age 66 without disturbing the larger benefit each will receive at age 70.

| Kathy's Spousal Benefit – Age 66                    | Jim's / Kathy's Benefit – Age 70 | Kathy's Survivor Benefit |
|-----------------------------------------------------|----------------------------------|--------------------------|
| <b>\$1,199</b> (Jim's normal FRA benefit = \$2,397) | <b>\$3,224 / \$2,472</b>         | <b>\$3,224</b>           |

The example above illustrating monthly income benefits does not include COLAs.

#### • Double Dip:

Jim & Kathy are both age 62. Kathy decides to retire and files for Social Security (SS) benefits. Jim will probably work to age 70 to maximize his SS benefits. When Jim reaches age 66, he'll file for spousal benefits under Kathy's account. This immediately entitles him to start receiving 50% of her benefit from age 66 to age 70. At age 70, he plans to file for SS benefits under his own account. He'll receive a 34% larger lifetime monthly benefit than if he'd filed at age 66. Since they don't need Jim's SS benefits at age 66 they are able to maximize both income and survivor benefits with the *Double Dip*.

| Kathy's Benefit – Age 62 | Jim's Spousal Benefit – Age 66                    | Jim's Benefit – Age 70 | Kathy's Survivor Benefit |
|--------------------------|---------------------------------------------------|------------------------|--------------------------|
| <b>\$1,150</b>           | <b>\$575</b> (Jim's normal FRA benefit = \$2,397) | <b>\$3,224</b>         | <b>\$3,224</b>           |

The example above illustrating monthly income benefits does not include COLAs.

Source: Social Security Administration

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