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Social Security: Take the money at 62 or wait?

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If you are eligible for Social Security, you may begin receiving reduced benefits as early as age 62, no matter when you reach full retirement age, according to the Social Security Administration.

Should you begin taking Social Security at 62? Or wait until you reach full retirement age? Or wait a little longer to take advantage of delayed retirement credits?

From an actuarial viewpoint, whether you start taking benefits early, late or right on time, you can expect to receive about the same amount over your lifetime. From a personal viewpoint, only you can decide when the time is right.

66 is the New 65

The “normal” or full retirement age—the age at which full Social Security benefits are available—is increasing due to longer life expectancies. Full retirement age is 66 for those born between 1943 and 1954, and then rises incrementally to 67 for those born in 1960 or later.

The trade-off for taking benefits earlier is that the monthly payments will be lower—permanently. Let’s say you were born in 1946,

and your full retirement benefit, available at your full retirement age of 66, is \$1000 a month. If you begin taking benefits at age 62, your monthly payment is permanently reduced to \$750 a month. Conversely, if you wait until age 70 to apply for benefits, you will receive a “delayed retirement credit” that permanently increases your monthly benefit to \$1320. There is no increase in benefits for delaying Social Security past age 70.

Questions to Consider

No one can calculate the exact date when he or she will break even. Neither can anyone predict the future of Social Security. Consider the following questions when weighing your decision.

How healthy are you?

If you enjoy good health and have a family history of longevity, you might be wise to delay Social Security until you reach full retirement age or later. If your spouse survives you, your survivor can drop his or her benefit and assume your higher monthly benefits for the remainder of his or her life.

How much longer do you plan to work?

If you continue to earn income between 62 and full retirement age, Social Security will deduct \$1 from your benefits for every \$2 you earn above the annual limit (\$13,560 for

2008). For example, if you are eligible for a monthly benefit of \$110,0 and you earn \$20,000 in 2008, your monthly benefit will be reduced to \$832. Once you reach full retirement age, you can take the full benefit with no earnings limit.

What benefits will your spouse receive?

Your spouse is eligible for Social Security benefits equal to one-half of your full retirement amount at his or her full retirement age, even if he or she has never worked under Social Security. If your spouse begins taking benefits at age 62, the monthly benefit is permanently reduced. Should you delay taking Social Security until after your full retirement age, your spouse will not receive delayed retirement credits.

How will your spouse’s earnings affect your benefits?

Your spouse’s earnings do not affect your benefits or those of your other beneficiaries. If your spouse qualifies for Social Security, he or she will receive benefits under his or her own work record or a combination of benefits that equals the spouse benefit, whichever is higher.

At full retirement age, your spouse may choose between taking his or her own benefit or the spouse’s benefit. Your spouse could take the spouse’s benefit now, then switch to his or her own benefits later, thus taking advantage of delayed retirement credits.

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What if I die before my spouse reaches retirement age?

Your surviving spouse can receive survivor benefits (reduced for age) as early as age 60, assuming you qualify for Social Security. However, benefits received before age 62 may permanently reduce the amount of full retirement benefits available later. If the surviving spouse remarries, he or she does not qualify for survivor benefits.

How do divorced spouses fare in Social Security?

If you were married for at least 10 years and your former spouse does not re-marry, he or she will receive the same survivor benefits as your widow or widower. The benefits

paid to your former spouse (or multiple former spouses, providing each marriage lasted at least 10 years) do not reduce the amount paid to your other survivors.

When should I apply for Social Security benefits?

Apply about 3 months before you wish to begin receiving benefits.

What about Medicare?

You are eligible for Medicare at age 65, regardless of your full retirement age for Social Security. Register for Medicare benefits about 3 months before you turn 65 by going to www.medicare.gov or by calling 800.633.4227. If you are already receiving Social Security benefits when you turn 65, your

Medicare Hospital Benefits will start automatically.

Where can I learn more?

The Social Security Web site, www.socialsecurity.gov, is a goldmine of information about retirement, disability, and survivor benefits. For more information, contact your local Social Security office or call 800.722.1213 weekdays between 8 a.m. and 8 p.m., Central Time.

Conclusion

If you're approaching retirement age, Social Security is one of many decisions you will need to make. Consult your financial advisor to help you make the right choice for you and your family.

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