

Ask the Advisor



When should I begin taking my Social Security?

Bob in Tamworth

If you are eligible to receive Social Security retirement benefits, you can begin drawing an early, but permanently reduced retirement benefit anytime between age 62 and your full retirement age (65-67); the closer to 62 you are when you begin, the larger the permanent reduction.

At your full retirement age, you can receive 100% of your benefit with no reduction. The full retirement age is 65 for those born before 1938 and gradually increases to 67 for those born in 1960 or later.

If you begin drawing after your full retirement age, up until age 70, you can receive a permanently increased retirement benefit.

There is no advantage in delaying the start of your benefit after age 70 since the increase ceases at 70.

There are several factors to take into consideration in deciding when to draw.

Do you need the money? If you just plain need the money, you may have no choice but to draw early.

How long will you live? If you don't live past 77, the total of your payments will be more if you draw at 62 than if you wait. If you live past 81, the total of your payments will be more if you wait until age 70 to draw.

Are you still working?

There are two considerations here: the earnings limit and taxation.

Before full retirement age, if you draw and you are still working and earning more than \$14,160, one dollar in benefits will be withheld for every \$2 in earnings above the limit.

The reduction only applies as long as you are over the earnings limit and before your full retirement age.

In the year of your full retirement age, but before your birthday, there will be a reduction of one dollar for every \$3 in earnings above \$37,680; this reduction only applies to the months before you reach your full retirement age.

The Senior Citizen's Freedom to Work Act of 2000 eliminated the earnings limit reduction at or beyond your full retirement age, you can still work and receive your full benefit without having to worry about a benefit reduction.

However, regardless of when you are drawing, your benefit may be taxable. The tax, or lack of, is based on somewhat complicated special step-rate thresholds.

If you are going to work or have other income sources and draw a benefit, coordinate the tax implications with your tax advisor.

The final consideration is that drawing early can also cause a permanent reduction in the benefits paid to your spouse since the spousal benefit is based on your benefit.

If your spouse is taking his or her own benefit rather than opting for the spousal benefit, your benefit timing is irrelevant.

So if you need the money, are in poor health or you are not working, you may want to draw early.

If you are in good health, have assets you can draw on or you are still earning a good income, you may want to wait until your full retirement age.

If longevity runs in the family, you have substantial assets or you are earning a high income, you might want to consider waiting until you stop working or age 70 to draw.

If you would like more information on Social Security, read your annual statement. It is full of good information and if you are age 55 or over, you get an additional helpful supplement with your statement. The Social Security Administration can be reached toll free at 1-800-772-1213 or online at www.ssa.gov. If you prefer an in-person visit, there are numerous offices located throughout New England.

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