

GETTING THE MOST OUT OF YOUR SOCIAL SECURITY  
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For most Mainers facing retirement, Social Security will be the largest source of income upon which they will rely for the rest of their life. It is therefore important to have a basic understanding of the rules that will determine how much that monthly check will be.

In order to collect Social Security retirement income, a person must have been working and paid Social Security payroll tax for at least ten years. The entitlement amount depends on how much was paid into the system and also, the age that benefits start.

Anyone who has paid in for the requisite minimum ten years can start taking benefits at age 62, but this is referred to as a reduced benefit. Full retirement age is 66 or 67, depending on year of birth. If one waits until full retirement age, the monthly benefit will be substantially more than if claiming at age 62 or at any age less than full retirement. Even though full retirement is age 66 or 67, what many individuals overlook is that the monthly benefit will be increased even more by waiting longer, up to age 70. After age 70, there is no benefit to waiting.

To illustrate, every year one waits to collect, the benefit will increase by roughly 8%. Waiting until age 70 to collect will generate around 24-32% more than collecting at full retirement age and a whopping 76% or so more than if starting at age 62.

Obviously, an important factor in deciding when to start taking Social Security will depend on employment. Sometimes people have no choice but to start collecting because of layoffs or health issues. For those who can afford to wait, either by continuing to work or even dipping into savings, it almost always makes sense to delay the start of benefits.

Another way to look at the situation is by projecting how much Social Security income one would receive over one's lifetime. Life expectancy is a huge factor, in that the longer one lives, the more Social Security will have been received. To illustrate, a person who starts taking the benefit at age 62 would have to reach age 76 before the cumulative payments would result in a net loss. A person who started at age 66 would have to reach age 79 and a person who waited to collect until age 70 would not reap the benefit of waiting until age 82. In short, the longer one lives, the greater the benefit of delaying the start date will be.

Married couples should consider both person's benefit amounts when deciding when to start collecting. When one spouse is eligible for a significantly larger benefit, it often makes sense for the lower earner to start collecting early while allowing the benefit of the larger earner to increase. This can not only benefit the couple during their lifetimes, but also if the larger earner is first to die, the survivor's benefit will increase to the amount of the larger earner.