

THE CORNERSTONE

Social Security began in 1935 as part of the “New Deal” social programs introduced by the Franklin Delano Roosevelt administration. Social Security now represents a predominant component of most people’s retirement plan. Roughly, 96 percent of retirement age Americans will receive Social Security benefits in some form.

With this in mind, one of the most critical issues is when to start collecting benefits: at the minimum age of 62, at full retirement age ranging from 66-67, or at maximum deferral age of 70?

There is no universal answer and numerous complexities such as family status and one’s overall health condition contribute to the decision. Based on current numbers there is approximately a 76 percent increase in the monthly benefit if distributions begin at age 70 as opposed to starting benefits at the earliest age of 62.

A person who expects to live past age of 76 has a greater cumulative value of Social Security benefits if they wait until full retirement age of 66-67 before starting benefit payments. If one expects to live to age 82 or beyond it is more beneficial to delay collecting benefits until age 70.

Clearly, all things being equal, there is a lot of benefit to delaying. Especially since, as the statute is currently written there is an automatic 7 to 8 percent increase in yearly benefit for delaying each year beyond full retirement age. This benefit is further enhanced in periods of a low interest rate environment.

There are two obvious caveats to this approach. First, one can never be assured longevity as each future minute is a mystery known only to God. Second, the ability of the United States to honor its obligations grows more tenuous

against the backdrop of ever increasing debt.

Nonetheless, as long as an individual does not have a terminal or chronic health condition delaying Social Security benefits until age 70 will typically produce the greatest benefit.

In the case of a married couple the individual with the highest wage record for Social Security should delay as long as possible, up to age 70. The spouse with the lower Social Security wage earnings should consider taking their benefits at age 62. This is especially true if the higher wage earner is expected to pass on first as the surviving spouse would automatically inherit the larger benefit going forward.

The situation of each individual is different and must be taken into consideration as there are many nuances to the Social Security system that are far too complex to go into in this article.

This article is for general information purposes only and in no way is to confer or represent specific investment advice. Each person must evaluate their own individual and family dynamics and reach a decision that is best for them in consultation with a financial and/or legal professional specifically addressing their case.

Information Used from:

Charles Schwab- On Investing- Fall 2018 “*Seven Questions about Social Security- In the Answers That May Surprise You*”

