

Keys to Maximize your Social Security

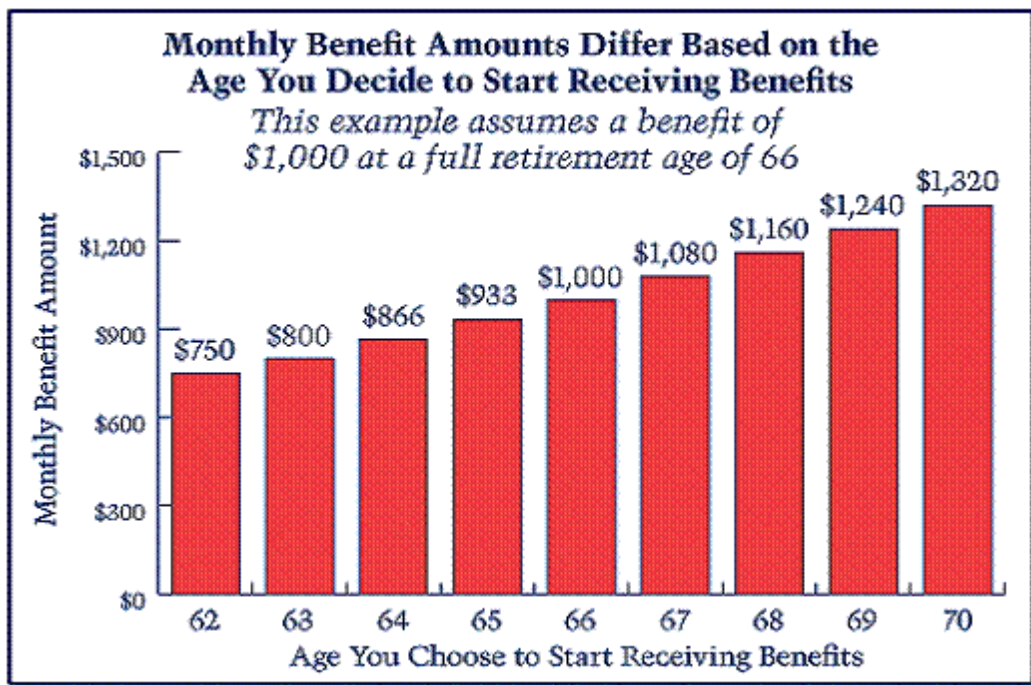
Most Americans can't wait to turn on the income spicket that is social security. And why not, the system offers some amazing benefits.

- A predetermined benefit (income) that you can plan for as part of your overall retirement income planning
- Steady monthly income that can only increase, but never decrease (by law) even in deflationary periods,
- Lifetime income regardless of your longevity, the monthly income will last as long as you do, and
- Survivor benefits to your surviving spouse and dependents.

There are however some program nuances within the Social Security System that you need to understand in order to maximize your benefits and the benefits of your surviving spouse. Understanding these nuances and carefully making your benefit selections within the context of your overall retirement income and survivorship planning is critical to maximizing your family's benefits.

The first question most often asked is "When should I begin benefits?" The correct answer is different for everyone and depends on a number of factors, including when will you retire or cease having earned income. People are often surprised to learn that social security benefits can be reduced if you have earned income and you have not reached your Full Retirement Age. In addition, taking Social Security early, that is before your Full Retirement Age will not only reduce your benefits for life, but also reduce the survivor benefits your spouse may receive should you die first. So the big Elephant in the Room question to answer is How long are you and your spouse going to live for? Not so easy right? But you have to make an educated assumption about your own longevity. If your life expectancy is short, say early to mid 70's for you and your spouse then lifetime income from Social Security is going to be maximized by taking your benefits early. Conversely, if longevity is likely to be into the 80's or perhaps 90's then lifetime income will be maximized by delaying your benefits to your Full Retirement Age or later. Yes I did say later. You have the option of delaying your benefits to as late as age 70. As a result you will receive an income increase of 8% for each year you delay (if you were born in 1943 or later), and as a result an increase in your annual income for life. The impact of this delay in benefits is seen not only in the initial increase in income, that is to say your beginning income (see below chart), but all future Cost of Living increases will now be based on a higher initial income. Further, if the benefit your spouse is receiving is lower than your benefit, then they get a bump in their benefit equal to your benefit when you die. Thus, delaying your benefit provides a type of income insurance to your spouse.

The cost to reaping these rewards is the delay of your income to a later date and your need to identify and coordinate your other sources of income until you turn on your social security benefits. This is where careful planning of your collective income sources, (spousal social security income, pensions, annuities, deferred compensation, any earned income, passive and investment portfolio income) all need to be analyzed in conjunction with your expenses and income needs. Next you need to turn to the other side of the balance sheet and identify what are your basic living expenses and your lifestyle objectives (discretionary spending). Other important questions to answer may include: Are you likely to provide ongoing financial support to your parents and or children? How are these and your other expenses going to change over time? Where does debt management fit into this planning? As you consider all these factors you now start to become aware of the need and benefit of coordinated planning.



Source: Social Security Administration

Careful Social Security analysis should involve numerous scenarios planning to ensure you maximize the benefits you've accumulated once again within the context of your overall retirement planning. If you would like to know more about your social security benefits, options or how to effectively plan for this amazing benefit please contact us. We are here to help.

P.S. The Social Security Administration has stopped sending out annual benefit statements. To gain access to your estimated individual benefits you must now go to the website www.socialsecurity.gov and access their Retirement Estimator Tool.