

When Should You Start Collecting Social Security Retirement Benefits?

The question seems easy, but the answer is complicated.

Many individuals can begin receiving Social Security retirement benefits as early as age 62. But the amount of their monthly payment is reduced -- the tradeoff for the longer period over which benefits are paid. And if they're still working, then even that income is reduced further dollar-for-dollar.

You can begin collecting full monthly payments at age 65 if you were born before 1938. If you were born between 1938 and 1959, your full retirement age goes up by percentages of years according to a Social Security age chart; and if you were born in 1960 or later, your full retirement age is 67.

If you delay collecting benefits until age 70, your monthly payments will increase as much as 8 percent for each year beyond your full retirement age.

Gladys Williamson is a case in point. She turned 62 in 2003 when she became eligible, based on her lifetime earnings, for a monthly benefit of \$1,444. "But I decided to wait until 65," she said, "since I have a fairly good pension and don't need the income that badly." At her full retirement age of 65, her payment will be \$1,931 a month (adjusted for inflation).

Gladys, as it turns out, is the exception. Six in 10 retirees choose early benefits which means their payments are 20 to 30 percent lower than they would have been at full retirement age.

Before deciding when to begin collecting Social Security retirement benefits, you should consider these factors:

- **Health.** While nobody can outlive Social Security benefits, taking them early may cause regret if you live long enough. The better your health and the longer your life expectancy, the wiser it may be not to take benefits too early. Keep in mind that the definition of life expectancy is that half that population will still be living at that age. So if those born in

1926 had had a life expectancy of 70, for example, then statistically half of that population would still have been living in 1996.

- **Other Investments.** If you can live mostly on your social security income, you can leave more of your assets growing in your tax-deferred retirement accounts until mandatory distributions are required after age 70 ½.
- **Marriage.** The working spouse's Social Security benefits could represent the lion's share of the other spouse's retirement income. When an individual receiving retirement benefits dies, the surviving spouse receives the larger of two amounts – his or her own benefit, or a percentage of the deceased spouse's benefit (but not both).
- **Employment.** Until a working recipient reaches age 65, total Social Security retirement benefits are reduced based on earnings above a ceiling that is adjusted each year. After attaining full retirement age, no such adjustment is made.

When to opt for Social Security retirement benefits may be among the most important financial decisions you make. Consulting with a reliable financial planner to learn the consequences of the various choices may be the wisest decision of all.