

The “SOCIAL SECURITY ELEPHANT” in the Room:



When, Why, and How
Should I File for Social
Security to Balance my
Benefits, Tax Exposure,
and Retirement Lifestyle?

Social Security is the biggest source of government-guaranteed, inflation-adjusted, lifetime income you'll have in retirement, but much of the available information is contradictory, confusing, and downright incorrect.

96% of Social Security claimants fail to make the optimal claiming decision. That means they lose out on an estimated \$3.4 trillion in potential retirement income (on average \$111,000 per household). The average recipient would receive 9% more income in retirement *if they made the financially optimal decision* about when to claim this retirement benefit.¹

Even the Social Security Administration (the one place you would expect to get the best information) frequently gives out bad

advice. In fact, a 2018 report by the SSA itself found that bad Social Security advice has cost Americans \$131 million.² There's no such thing as a boilerplate Social Security strategy. **There are over 2,700 Social Security claiming rules, yielding over 567 separate filing strategies for a married couple to consider.**³ Somewhere in all those rules and regulations is one single best way for you to file to maximize your guaranteed income, protect your spouse's income, and create your tax-optimized retirement paycheck.

This guide breaks down the complex considerations governing your Social Security claiming decision into clear questions (and includes a simple decision flowchart you can complete in 5 minutes).



1 WHEN SHOULD YOU CLAIM SOCIAL SECURITY?

YOUR FULL RETIREMENT AGE

Year of Birth	Full Retirement Age
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

Source: Social Security Administration
If born on January 1, refer to the prior year

The #1 question that's on most people's minds as they approach retirement is, when should they claim Social Security? You'll be eligible to claim 100% of your Social Security benefit at your Full Retirement Age, but you're allowed to claim Social Security as early as age 62. Depending on when you were born, your Full Retirement Age is between age 66 and 67.

KEY CONSIDERATION: The earlier you file, the less you'll receive in benefits each month—for as long as you continue claiming.

WHAT HAPPENS TO YOUR BENEFIT IF YOU FILE EARLY?

If your full monthly benefit is \$2,000

Age at Which You File	62	63	64	65	66
% of Full Benefit	75%	80%	86.6%	93.3%	100%
	\$1,500	\$1,600	\$1,732	\$1,866	\$2,000

Calculation assumes Full Retirement Age of 66
Calculation excludes the effects of taxes and cost-of-living adjustments
Source: Social Security Administration

Let's talk about when you can claim Social Security.

CLAIM SOCIAL SECURITY

EARLY

(Between Ages 62 and 67)

While claiming Social Security early reduces your monthly benefit, it also means that you'll be collecting checks longer. For every year that you claim early, you give up between 5% and 6.67% of your full benefit.⁴

There are a few common reasons why you might want to claim Social Security early:

1. You need income early in retirement
2. You don't want to draw down your retirement savings yet (and want to let them grow at market rates)
3. You have a high-earning spouse, and want to let their benefit potentially grow while claiming your own
4. You believe you might have a lower life expectancy than average

CLAIM SOCIAL SECURITY AT YOUR

FULL RETIREMENT AGE

(Ages 66–67)

If you claim at your Full Retirement Age (FRA), you'll get 100% of your full benefit, but you'll give up the opportunity to let your benefit continue to grow. There are 3 primary reasons to claim at your FRA:

1. You won't lose out on any benefit amount
2. You can work and still collect your full benefit (because the Annual Earnings Limitation goes away)
3. You can suspend your benefits at any time to allow them to start growing again

If you were born before January 2, 1954, you may be eligible to file a "Restricted Application" to maximize your lifetime benefits.⁵ This advanced strategy is a powerful tool for married couples who want to potentially maximize their income, protect a surviving spouse, and manage tax consequences.

CLAIM SOCIAL SECURITY AT

AGE 70

If you delay claiming Social Security past your Full Retirement Age, your benefit will grow each year until you reach age 70. Since your benefit doesn't grow past age 70, there's no reason to delay claiming past that age.



WHAT HAPPENS TO YOUR BENEFIT IF YOU FILE LATER?

If your full monthly benefit is \$2,000

Age at Which You File	66	67	68	69	70
% of Full Benefit	100%	108%	116%	124%	132%
	\$2,000	\$2,160	\$2,320	\$2,480	\$2,640

Calculation assumes Full Retirement Age of 66
Calculation excludes the effects of taxes and cost-of-living adjustments
Source: Social Security Administration

Wondering when is the best time for you to file for Social Security so you can balance your benefits, tax exposure, and retirement lifestyle? Get in touch by calling my office. I will answer your questions and show you how to create a customized claiming strategy in a 1-on-1 conversation.

2 WHY SHOULD YOU CHOOSE ONE CLAIMING STRATEGY OVER ANOTHER?

These are some of the key questions I ask clients when discussing Social Security and retirement income.

What Other Sources of Retirement Income Do You Have?

If you're thinking about retiring and have enough income from other sources, you have the luxury of flexibility. If you are able to create a stream of income from another source of guaranteed income such as an annuity*, you may be able to delay claiming Social Security until your Full Retirement Age or later, to potentially maximize that source of income. Alternately, you may want to consider claiming Social Security as early as possible to give your investments more time to potentially grow in the market.

This calculation depends on a number of variables that I can help you analyze using professional software.

Are You Married?

Married people have more options to consider, since they can choose to claim on their own record or choose to claim on their spouse's record (if they are eligible).

You'll also want to consider your spouse's (and your own) survivor benefits to ensure that a surviving spouse isn't left without enough income. **Though the "File and Suspend" loophole is gone for most retirees, there are *still* a number of advanced claiming strategies that can help you maximize your income now and later.**

What Are Your Family Health History and Longevity Expectations?

How long you expect to live is a critical factor in your personal Social Security calculation. If you live to your exact average expected age, you'll collect the same total income whether you collect early or late (Social Security is designed this way). If you expect to live longer than the break-even age, you're typically better off waiting to claim as long as possible to collect the largest possible benefit. The exact age at which you'll maximize your lifetime benefits also depends on variables

like the amount of your benefit, your tax bracket, and how your retirement portfolio is performing. **I strongly encourage you to get a personal projection to help you make the best decision about Social Security.**

Will You Work While Claiming Social Security?

If you intend to work while claiming Social Security, you need to consider two additional factors: the Annual Earnings Limit (only affecting those under their Full Retirement Age), and taxes. If your overall income (including Social Security and income from other sources) is above certain annual thresholds, more of your benefit becomes taxable. **If you don't feel like paying taxes on up to 85% of your Social Security income, I encourage you to get in touch. There are a number of strategies we can use to adjust your taxable income to potentially reduce the taxes you pay.**

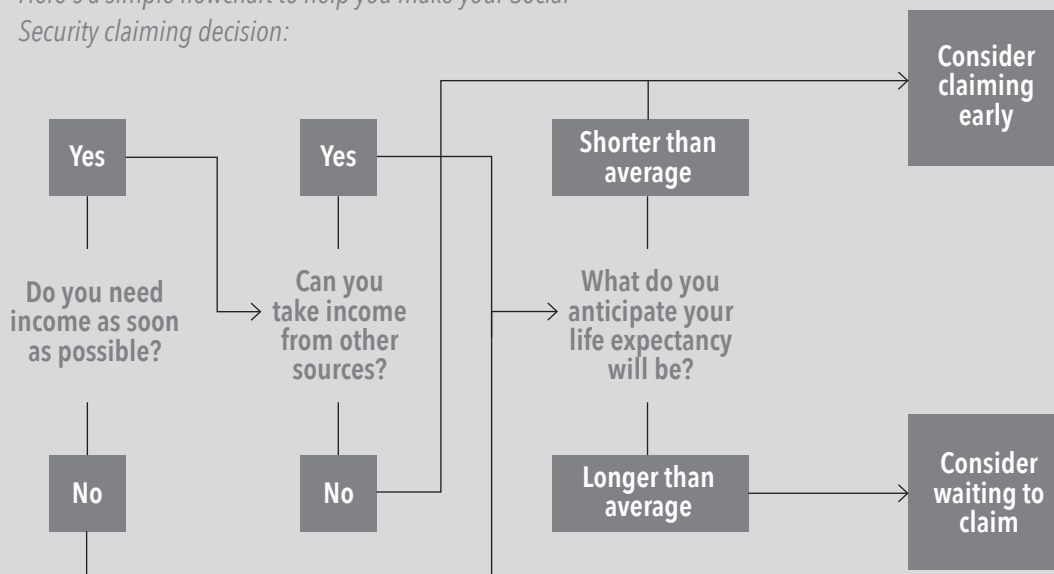
If you'd like help preparing a personal Social Security Strategy or guidance answering any of these questions, please email me.

3 HOW TO CREATE YOUR SOCIAL SECURITY STRATEGY

If you've read this far, you understand that there are many variables that should be taken into account when making a claiming decision. However, this simple flowchart breaks down the most critical questions governing your personal Social Security claiming strategy into a 5-minute activity.

A QUICK TOOL FOR MAKING A SOCIAL SECURITY DECISION

Here's a simple flowchart to help you make your Social Security claiming decision:



This simple diagram omits important factors in a comprehensive retirement income strategy. Seek professional advice before making a Social Security claiming decision. For illustrative purposes only.

Choosing the Wrong Social Security Path Could Cost You Thousands of Dollars per Year of Lost Income

While claiming your Social Security benefits is as simple as filing an application on the Social Security Administration's website, it's not a decision to take lightly. Before you claim, I strongly urge you to take the following steps:

Step 1: Consider all the options available to you and your spouse

Step 2: Talk to a professional about your retirement income plan

Step 3: If you think you've made a mistake in filing (or you think you're better off with a different strategy), call my office immediately. We may be able to help you "turn back the clock" on your benefits so you can potentially maximize your income.

Here's what getting a professional opinion on your Social Security strategy and retirement income plan can deliver:

- Software that analyzes Social Security rules and shows you how to optimally claim Social Security to maximize income now and later
- A personalized analysis of advanced claiming strategies, including 62/70, Start-Stop-Start, Claim and Grow, and limited-opportunity loopholes like File and Suspend and Restricted Filing
- A tax-smart income plan that shows you exactly how to structure withdrawals from retirement accounts and Social Security to minimize taxes

If you've already started claiming Social Security, it's not too late to get advice and make a change. If we find you're better off with a different claiming strategy, we can help you "turn back the clock" with the SSA and get back on the right track.

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1 - <https://unitedincome.capitalone.com/library/the-retirement-solution-hiding-in-plain-sight>

2 - <https://www.cnbc.com/2018/03/01/bad-social-security-advice-cost-recipients-131-million.html>

3 - <https://www.nysscpa.org/news/publications/the-trusted-professional/article/social-security-filing-strategies-under-the-new-rules>

4 - https://www.ssa.gov/oact/quickcalc/early_late.html

5 - <https://www.kiplinger.com/article/retirement/t051-c000-s004-restricted-application-social-security-strategy-is.html>

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