

# Before You Claim Social Security

*A few things you may want to think about before filing for benefits.*

Whether you want to leave work at 62, 67, or 70, claiming the retirement benefits you are entitled to by federal law is no casual decision. You will want to consider a few key factors first.

**How long do you think you will live?** If you have a feeling you will live into your nineties, for example, it may be better to claim later. If you start receiving Social Security benefits at or after Full Retirement Age (which varies from age 66-67 for those born in 1943 or later), your monthly benefit will be larger than if you had claimed at 62. If you file for benefits at FRA or later, chances are you probably a) worked into your mid-sixties, b) are in fairly good health, c) have sizable retirement savings.<sup>1</sup>

If you sense you might not live into your eighties or you really, really need retirement income, then claiming at or close to 62 might make more sense. If you have an average lifespan, you will, theoretically, receive the average amount of lifetime benefits regardless of when you claim them; the choice comes down to more lifetime payments that are smaller or fewer lifetime payments that are larger. For the record, Social Security's actuaries project the average 65-year-old man living 84.3 years and the average 65-year-old woman living 86.6 years.<sup>2</sup>

**Will you keep working?** You might not want to work too much, for earning too much income can result in your Social Security being withheld or taxed.

Prior to Full Retirement Age, your benefits may be lessened if your income tops certain limits. In 2017, if you are 62-65 and receive Social Security, \$1 of your benefits will be withheld for every \$2 that you earn above \$16,920. If you receive Social Security and turn 66 this year, then \$1 of your benefits will be withheld for every \$3 that you earn above \$44,880.<sup>3</sup>

Social Security income may also be taxed above the program's "combined income" threshold. ("Combined income" = adjusted gross income + non-taxable interest + 50% of Social Security benefits.) Single filers who have combined incomes from \$25,000-34,000 may have to pay federal income tax on up to 50% of their Social Security benefits, and that also applies to joint filers with combined incomes of \$32,000-44,000. Single filers with combined incomes above \$34,000 and joint filers whose combined incomes surpass \$44,000 may have to pay federal income tax on up to 85% of their Social Security benefits.<sup>3</sup>

**When does your spouse want to file?** Timing does matter. For some couples, having the lower-earning spouse collect first may result in greater lifetime benefits for the household.<sup>4</sup>

**Finally, how much in benefits might be coming your way?** Visit [ssa.gov](http://ssa.gov) to find out, and keep in mind that Social Security calculates your monthly benefit using a formula based on your 35 highest-earning years. If you have worked for less than 35 years, Social Security fills in the

“blank years” with zeros. If you have, say, just 33 years of work experience, working another couple of years might translate to slightly higher Social Security income.<sup>4</sup>

**Your claiming decision may be one of the major financial decisions of your life.** Your choices should be evaluated years in advance, with insight from the financial professional who has helped you plan for retirement.

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#### **Citations.**

1 - [ssa.gov/planners/retire/retirechart.html](http://ssa.gov/planners/retire/retirechart.html) [12/21/17]

2 - [ssa.gov/planners/lifeexpectancy.html](http://ssa.gov/planners/lifeexpectancy.html) [12/21/17]

3 - [newsok.com/article/5546356](http://newsok.com/article/5546356) [5/8/17]

4 - [fool.com/retirement/2016/07/16/about-to-take-social-security-read-this-first.aspx](http://fool.com/retirement/2016/07/16/about-to-take-social-security-read-this-first.aspx) [12/15/16]