

Three Key Questions to Answer Before Taking Social Security

When to start? Should I continue to work? How can I maximize my benefit?

Provided by Ivana Lotoshynski, CFP®

Social Security will be a critical component of your financial strategy in retirement, so before you begin taking it, you should consider three important questions. The answers may affect whether you make the most of this retirement income source.

When to Start? The Social Security Administration gives citizens a choice on when they decide to start to receive their Social Security benefit. You can:

- * Start benefits at age 62.
- * Claim them at your full retirement age.
- * Delay payments until age 70.

If you claim early, you can expect to receive a monthly benefit that will be lower than what you would have earned at full retirement. If you wait until age 70, you can expect to receive an even higher monthly benefit than you would have received if you had begun taking payments at your full retirement age.

When researching what timing is best for you, it's important to remember that many of the calculations the Social Security Administration uses are based on average life expectancy. If you live to the average life expectancy, you'll eventually receive your full lifetime benefits. In actual practice, it's not quite that straightforward. If you happen to live beyond the average life expectancy, and you delay taking benefits, you could end up receiving more money. The decision of when to begin taking benefits may hinge on whether you need the income now or if you can wait, and additionally, whether you think your lifespan will be shorter or longer than the average American.^{1,2}

Should I Continue to Work? Besides providing you with income and personal satisfaction, spending a few more years in the workforce may help you to increase your retirement benefits. How? Social Security calculates your benefits using a formula based on your 35 highest-earning years. As your highest-earning years may come later in life, spending a few more years at the apex of your career might be a plus in the calculation. If you begin taking benefits prior to your full retirement age and continue to work, however, your benefits will be reduced by \$1 for every \$2 in earnings above the prevailing annual limit (\$17,640 in 2018). If you work during the year in which you attain full retirement age, your benefits will be reduced by \$1 for every \$3 in earnings over a different annual limit (\$45,360 in 2018) until the month you reach full retirement age. After you attain your full retirement age, earned income no longer reduces benefit payments.^{2,3}

How Can I Maximize My Benefit? The easiest way to maximize your monthly Social Security is to simply wait until you turn age 70 before claiming your benefits.^{1,2}

**Ivana Lotoshynski, CFP® may be reached at 973-227-3390 or
contact@peoplewealthmatters.com – <http://peoplewealthmatters.com/>**

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Citations.

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