

BUILDING BLOCKS FOR RETIREMENT

Social Security

Social Security: The When To Claim Game

Jack stopped working at age 62 because of chronic health issues. Celia retired at age 66 so she could travel and pursue hobbies. And Pat's not ready to retire yet and plans to work until at least age 70. Their strategies for claiming Social Security benefits may be different because of their different situations.

Retirement may be an adventure, but making a decision about when to collect Social Security shouldn't be. That's why it's important to understand your options for claiming benefits well in advance of your retirement date.



In a Nutshell. Although you can begin taking benefits as early as age 62, the longer you delay, the greater your benefit will be. While you're entitled to receive full benefits at your full retirement age (FRA),* for every year up to age 70 that you delay taking benefits, your benefit amount will increase by 8%. And that's not counting any cost-of-living increases you might get.

If receiving a higher benefit amount were the only factor to consider, everyone might wait until age 70 to collect. But several other factors may come into play that can make the decision more complex — and more personal.

Assessing Your Health. Your health at retirement and your family's history of longevity could be important considerations when deciding whether to collect or delay benefits. Remember, though, if you begin collecting Social Security benefits at age 62 — or at any time before you reach your FRA — your monthly benefit will be permanently reduced.

Factoring in Finances. The amount of money you have saved and your plans for retirement will also figure into the equation. If you don't have sufficient income from other sources, delaying the start of your benefits is probably not an option. The same may be true if your vision of retirement includes travel or expensive hobbies. Even if you don't need the money for living expenses, taking the benefit and investing it is an alternative to consider. Keep in mind, however, that your benefits will be reduced if your earnings exceed certain limits before you reach your FRA.



Your “Breakeven Age”. If you’re still working or have other assets to draw on, waiting to collect may seem like a smart plan. But there’s a drawback. By waiting to claim benefits, you’ll need a certain number of years to “catch up” to the amount you would have received if you had begun drawing Social Security at your FRA. This is your “breakeven age”— the age you will be when the two total accumulations are equal and the advantages of having waited to collect begin to kick in. You’ll have to live beyond the breakeven age to come out ahead in the total amount of money you receive over your lifetime. So the longer you live, the more you will benefit from the delay in taking benefits.

Beyond the Basics. Social Security benefits may be available to spouses, divorced spouses, widows, and widowers. You can learn more about the applicable rules on the Social Security website at www.ssa.gov.

Choosing the best age for claiming benefits can be a complex process. Your financial professional can help you make the choice that will be right for your personal circumstances.



* Full retirement age is 66 for individuals born from 1943 through 1954, gradually rising to age 67 for individuals born in 1960 and later.

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