



Taking Social Security Early

The Social Security Administration reports that approximately half of Social Security recipients collect Social Security at the earliest possible age of 62 and almost three-quarters of current beneficiaries are receiving reduced benefits because they filed for Social Security early. Early beneficiaries are individuals that begin Social Security before their full retirement age.



Full Retirement Age (FRA)

If you were born between 1943-1954, your FRA is 66. If you were born after 1954 but before 1960, your FRA will increase in two month increments for each year after 1954. For example, if you were born in 1955, your FRA is 66 years and two months. If you were born in 1960 or later, your FRA is age 67. Your benefit amount at FRA is known as the primary insurance amount or PIA.

Cost of Filing for Social Security Early

If you begin collecting Social Security at age 62, there is a reduction in benefits of 25% to 30% depending on your full retirement age. Late filers (individuals who begin Social Security after FRA) receive annual delayed retirement credits of 8% per year until age 70.

If your full retirement age is 66, by postponing your decision to take Social Security by just one year, you can give yourself an 8% raise. And if you postpone claiming until age 70, the amount you receive will be 32% higher.

For example, if your PIA is \$1,500 a month at your full retirement age of 66, your monthly benefit would increase to \$1,980 by waiting until age 70. Instead, if you begin payments at 62, your monthly Social Security payment would be reduced to \$1,125. This reduction is permanent. Although you will receive cost-of-living adjustments (which may not occur annually), your monthly benefit will not “pop-up” to your PIA when you reach your FRA.



Retirement Planning

To illustrate the impact of the early reduction penalty using the same example as above, if there are annual cost-of-living adjustments of 2% each year and you began receiving Social Security at the earliest possible age of 62, when you reach age 66 the monthly benefit amount would only be \$1,217.75 – not the \$1,500 you would have otherwise received had you waited until age 66 to collect Social Security. The reduction for beginning Social Security early will follow the payments you receive for the rest of your life.

Why do People Take Social Security Early?

If taking Social Security early comes at such a high cost, why do so many people do it? Some common reasons are:

- They don't understand the benefits of waiting.
- They don't know how to properly utilize other retirement income options to help them wait until FRA or later to begin Social Security.
- They start Social Security simply because they stopped working and their paychecks ended.
- They are concerned about the uncertainty surrounding Social Security's future and have the mindset of "It's my money so I better get it while I can".
- For some, Social Security is the primary source of retirement income and they need it as soon as possible.
- For others, there may be health concerns or longevity doesn't run in their family.

The reality is, most people don't develop a strategy for collecting Social Security. With proper planning, many people can retire and rely on other income sources such as a pension or investment income and wait to file for Social Security until FRA or later.

Before Filing for Social Security, Consider These Tips

At a minimum, before you make a decision that impacts what could be 20 or more years of retirement income, remember the following:

1. Don't claim early if you don't have to.
2. Married couples should evaluate the timing of their claiming strategies together.
3. Register online at www.ssa.gov for access to statements, online calculators, to verify your earnings history, and much more.
4. Know your numbers – your full retirement age, your income, your expenses, and your Social Security benefit amounts (early at age 62, your PIA, and late at age 70).
5. File for Social Security 3 to 4 months before you want to receive your first payment.

To determine the best approach for you (and your spouse if you are married), ask your Benjamin F. Edwards financial advisor to run illustrations to identify your Social Security claiming alternatives and their impact on your overall retirement income goals. ■

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