

## SHOULD I WAIT TO START MY SOCIAL SECURITY BENEFITS?

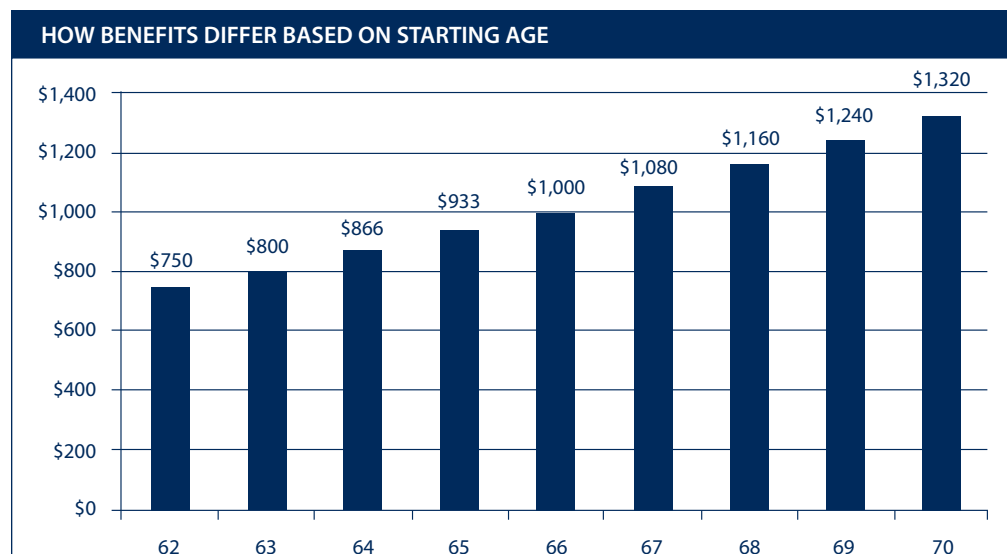
Deciding at what age to begin receiving social security benefits can be difficult, as there are many factors to consider. Even if you plan to keep working, social security retirement benefits are available to most workers as early as age 62, but you can also delay collecting up until age 70 or choose any age in between.

The first step in making your decision is to determine your full retirement age (FRA)—the age at which you can collect your full benefits. For workers born before 1939, that age is 65. For those born later, the FRA gradually increases to age 67. Retiring prior to your FRA can reduce your monthly benefit by as much as 30 percent—but you will receive benefits for a longer period. No matter what your FRA is, you may wait until age 70 to collect benefits, earning you a delayed retirement credit resulting in larger monthly payments.

A 2008 Fidelity Investment survey found that 45 percent of 61-year-olds expected to start collecting benefits as soon as they reached age 62. Only 19 percent expected to wait until their FRA or later to start benefits.

Even if you elect to start receiving benefits early, your benefits will still be increased annually by cost-of-living allowances. Despite social security's annual inflation adjustment, however, you may never equal the same benefit that you would have received by waiting until your FRA.

What timeline is best for you? You can crunch the numbers by using MetLife's Social Security Decision Tool in the Retirement toolbox section of its website and by using its life expectancy calculator ([www.metlife.com](http://www.metlife.com)).



Source: Social Security Administration. The chart above illustrates how benefits can differ based on the age at which you start receiving social security. It assumes a benefit of \$1,000 a month at age 66. Your own benefits will be based on your own work history and may differ.

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## **Should I Wait to Start My Social Security Benefits?** *continued*

### **Questions to ask yourself**

From a purely mathematical point of view, most people are slightly better off waiting to start social security. There are questions you need to ask yourself, however:

#### **Do you need the cash?**

If you need help paying for your basic living expenses, you probably should elect to begin receiving benefits as soon as possible.

#### **How is your health?**

According to the most recent Social Security Administration (SSA) life expectancy tables, a healthy 62-year-old male has a 50-percent chance of living to age 77. Age 77 is considered the break-even age at which the reduced amount a person began collecting at age 62 would be the same as the unreduced benefit paid from FRA to age 77.

Many people, however, will live longer than this break-even age, and it is interesting to note that other life expectancy studies result in different conclusions. According to MetLife, a 62-year-old male has a 76-percent chance of living beyond age 77 and a 50-percent chance of living beyond age 85. In fact, MetLife found that the same 62-year-old has a 25-percent chance of living beyond age 92.

In any case, it is important to consider your family's pattern of longevity. The longer you live, the more you benefit from delaying. If your health and family history predict a long life, you may be better off delaying your benefits until FRA or later.

If you don't expect to attain a normal life expectancy and you are single, consider taking benefits early. But if you are married, be aware that doing so will reduce your spouse's survivor benefit.

#### **Will you continue to work?**

If your working wages are greater than \$14,160 in 2009 and you selected early benefits, your social security benefits will be reduced by \$1 for every \$2 you earn. If you earn more than \$37,680 in the year you reach your FRA, your benefits will be reduced by \$1 for every \$3 you earn. After that point, working has no effect on the amount of your benefit, although it may impact whether your benefits are taxed.

Although your benefits will be reduced if your earned income exceeds the threshold, this is a temporary reduction. The SSA will recalculate your benefits at your FRA and credit any months where your earnings from work completely offset your monthly benefit. Further, since your benefit includes your highest 35 years of indexed earnings, wages you earned today may replace lower earning years in the benefit calculation, which could result in higher benefits.

#### **How much do you earn from pensions and other investments?**

For retirees earning more than \$25,000 (\$32,000 for married couples), 50 percent of your social security benefits will be taxed. If you earn more than \$34,000 (\$44,000 for married couples), 85 percent of your social security benefits will be included in your taxable income. To determine your income for this purpose, the IRS looks at wages, self-employment, interest, dividends, and otherwise tax-free municipal bond income. The IRS adds all these to one-half of your social security benefit to determine how much of your benefits will be taxed.

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## Should I Wait to Start My Social Security Benefits? *continued*

### Are you in a high tax bracket?

Since social security benefits may be taxed, those in the highest tax brackets and with other sources of income can benefit from delaying social security and thus deferring taxes.

### Are you the spouse of an eligible worker?

Normally, if both you and your spouse are living, the SSA will pay you the higher of your two social security retirement benefits or 50 percent of your spouse's benefit. If you delay benefits until your FRA, however, you will have a choice of either benefit.

One strategy would be for one spouse to take reduced benefits at age 62 and for the other to take a spousal benefit at his or her own FRA. Then, at age 70, the latter would switch to a benefit based on his or her own work history. This would allow you to accrue delayed retirement credits and provide a higher benefit. Because the rules are somewhat complicated, however, be sure to consult your local social security office about your eligibility for this strategy.

You should be aware that the spouse who took benefits at age 62 cannot switch without repaying all benefits he or she received. And if your spouse takes benefits early, it affects your potential spousal and survivor benefits. It does not, however, affect the benefit you can claim under your own record.

### Are you a surviving spouse?

As a widow or widower at FRA, you are eligible for 100 percent of what your spouse's benefits would have been if he or she were living—or a benefit based on your own earning history. Reduced survivor benefits are available at age 60. Because this reduction is not as severe as it would be if both spouses were living, you may wish to consider taking social security early.

### Will you spend or save your social security benefits?

You may be able to earn more on your reinvested payments than you lose by taking a reduced benefit. Your financial professional can calculate an after-tax, break-even interest rate necessary for this strategy to make sense.

Before you can make a decision about when to take your retirement benefits, check with the SSA to find out to which benefits you are entitled. Verify your earnings history with their records and correct any errors. Based on the social security benefit statement and your recent tax records, your financial professional can run sophisticated financial models to help you make your decision about early retirement benefits.

Take your benefits early	Wait until your full retirement age	Delay benefits up to age 70
<ul style="list-style-type: none"><li>• If you need the cash flow to pay living expenses</li><li>• If you prefer the flexibility of investing benefits</li><li>• If you're not in good health and are single</li></ul>	<ul style="list-style-type: none"><li>• If you are still working and earning more than \$14,160 (2009)</li><li>• If you are married and your spouse's benefit based on work is less than 50 percent of yours</li><li>• If you want to ensure the highest spousal benefit available</li></ul>	<ul style="list-style-type: none"><li>• If you want to increase your monthly benefit</li><li>• If you are very healthy and have a family history of long life expectancies</li></ul>

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