



## THE SECRET ABOUT SOCIAL SECURITY

Many people believe that once they hit age 62, they should immediately begin receiving social security benefits. Others have been advised to wait as long as possible before drawing distributions. As you may have guessed, there is no one right answer. There is, however, a right answer for you.

Depending on your health, life expectancy, retirement goals, and sources of income, you may want to receive social security benefits beginning at your early retirement age (62), your full retirement age (between 65 and 67), or even age 70. Because there is no mandatory age to begin taking benefits, determining when to start receiving social security is a critical component of retirement planning. The two most important factors in making this decision are (1) your life expectancy and (2) what you plan to do with your social security income.

If you decide to spend your entire social security check every month and think that you might pass away at age 70, you should probably begin drawing on social security at the earliest possible date. Be aware, however, that cashing in early permanently diminishes your payout rate, and the longer you defer receiving social security payments—up to a certain point—the bigger the monthly check will be. Waiting until full retirement age, which ranges from 65 to 67 depending on the year of your birth, ensures that you will receive the maximum possible benefit. For that very reason, if you believe that you will live well into your 80s, it might make sense to wait until 65 to begin receiving benefits.

On the other hand, if you plan on investing your social security income, it pays to begin taking distributions at the earliest possible date. If invested wisely, your modest social security checks could grow into a substantial sum. The Social Security Administration website, [www.ssa.gov](http://www.ssa.gov), is a valuable resource to help determine when you should begin taking distributions. Together, we will look at the graph of payout reductions at [www.ssa.gov/retire2/agereduction.htm](http://www.ssa.gov/retire2/agereduction.htm).

One common strategy that may make sense for you is to purchase insurance with your excess social security payments. This works best for individuals who lack long-term care insurance and believe that they will require assisted living, full-time aid, or a nursing home sometime in the future. Used this way, your social security checks could save you thousands of dollars, protecting your assets and ensuring quality medical services.

As you plan for retirement, it is wise to consult with a trusted financial professional to determine when exactly you should begin receiving social security benefits, how (and whether or not) you should invest them, and to assess your income flow after the last paycheck. For today's retirees, social security will almost definitely be able to provide a monthly distribution. The question that remains is when the payout should begin.



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