

When Should You Take Social Security?

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Key Points

Taking Social Security benefits before you reach full retirement age may not be the wisest choice.

Social Security benefit eligibility and factors to consider when deciding when to take Social Security.

The strategies for maximizing benefits can get complex, so be sure to get help from your financial planner or tax professional if you need it.

The age you can start receiving full Social Security retirement benefits is a moving target and depends on the year you were born (see table below). You can elect to take benefits early at age 62 (earlier only if you are a survivor or on disability), or wait as late as age 70.

Given the range of choices, as your 62nd birthday approaches, you'll likely be thinking about more than just how all those candles are going to fit on the cake. Before you decide when to take Social Security, let's take a look at some of the rules.

What's full retirement age?

Full retirement age (also known as normal retirement age or NRA) is when you're eligible to receive full Social Security benefits. The full retirement age used to be 65 for everyone. However, under current law, 2002 was the last year anyone age 65 could receive full benefits.

If you were born in 1938 or later, your full retirement age is some point after age 65 all the way up to age 67 for those born after 1959.

Retirement ages for full Social Security benefits

If you were born in ...

Your full retirement age is ...

1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-	

Source: Estimates based on data from ssa.gov, shown in today's dollars, using SSA's Quick Calculator as of May 5, 2014 for someone born May 1, 1952 with earned income equal to or greater than the maximum Social Security wage base. No cost of living adjustment is included. Time value of money is not considered in the example.

Theoretically, it shouldn't matter when you start to receive your checks, provided you have an average life expectancy. If you think you'll beat the average life expectancy, then waiting for a larger monthly check might be a good deal. On the other hand, if you're in poor health or have reason to believe you won't beat the average life expectancy, you might decide to take what you can get while you can.

A quick note about life expectancy: At birth, our average life expectancy is about 78 years (about 75 for men and 81 for women), according to the National Center for Health Statistics.

However, if you are lucky enough to reach age 65, **your average life expectancy rises to 82 for men and 85 for women.** The average is even higher for married couples, with the odds of at least one spouse living to age 90 at over 60% for couples who reach age 65 together.

Remember, too, that the average is just that you might be among those who live longer, in which case you may be glad you waited for a larger benefit.

3. Your spouse. Don't forget to take your spouse's age and health into account as you consider when to begin receiving Social Security, particularly if you're the higher-earning spouse. The amount of survivor benefits for a spouse who hasn't earned much during his or her working years could depend on the deceased, higher-earning spouse's benefit—the bigger the higher-earning spouse's benefit, the better for the surviving spouse.

Strategies for married couples

62/70 split strategy

With this strategy, the lower earner files early at age 62 based on his or her own benefit and then the higher earner later files at age 70.

When a **lower-earning spouse files for benefits at age 62**, the benefits are reduced based on the number of months before full retirement age.

If the higher earner has not yet filed, the reduced benefit will be based on the early filer's own earnings record.

If the higher-earning spouse has already filed for benefits at his or her own full retirement age, the lower earner would receive an amount equal to 50% of the higher earner's full retirement age benefit or their own benefit, whichever is greater.

However, the early-filing penalty would still apply to any benefits the lower-earning spouse receives, whether they're calculated based on that spouse's own earnings record or the higher-earning spouse's record.

Full retirement strategy

If both spouses are in good health and expect to meet or exceed average life expectancy and can afford to wait, an alternative strategy would be for both spouses to delay filing until full retirement age. At the time of filing, the higher earner files and suspends his or her benefits until age 70 to continue accruing delayed retirement credits. At the same time, the lower earner can

claim spousal benefits. At age 70, the higher earner starts receiving his or her own higher benefit

Changing your mind

If you previously elected to receive early Social Security benefits at a reduced rate, you have the option of paying back to the government what you've already received. You could then restart benefits at a later date to take advantage of a higher payout. This option is limited to one year's worth of benefits.

For example, let's say you elected to receive early benefits at age 62 and you're now 63 and thinking of going back to work. You could stop receiving Social Security, pay back the one year's worth of benefits you received, go back to work, and then wait until a later age to restart your benefit checks at a higher level.

Paying back prior benefits is similar to buying an annuity, except that you don't have to pay any interest on the benefits you've already received and there are no fees (which is why this option is limited to one year).

Whether it makes sense to take advantage of this option depends on your tax situation, age and life expectancy. Of course, you also have to come up with the repayment money. You might want to enlist the help of a CPA or another financial professional to help you crunch the numbers.

For important details about repaying benefits please read the SSA publication [If You Change Your Mind](#). If you determine that it makes sense to repay your benefits, you can start the process by filling out Form 521: [Request for Withdrawal of Application](#).

What about the future of Social Security?

If you're skeptical about the future of Social Security, you may be inclined to take benefits as early as you can under the assumption that a bird in the hand is better than nothing. Healthy skepticism is understandable.

One scenario we might see (besides benefit reductions and tax increases) is means testing, where the amount of benefits could vary depending on income, assets, or some other measure of wealth. This could result in a middle-class squeeze: The wealthy aren't eligible but are fine on their own and the needy are entitled to receive full benefits, but those stuck in the middle get something less than hoped for. In any event, waiting to receive benefits would still result in a larger check, all else being equal.

If you're really worried about the future prospects for Social Security, that's all the more reason to save more for your own retirement even if it means spending a little less now. Regardless of how much is left when you're set to retire, wouldn't it be nice to treat your Social Security benefit as icing on your retirement cake, rather than the main course?

