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A REFRESHER ON SOCIAL SECURITY BENEFITS



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We have written periodically on how to maximize your Social Security benefits. Sometimes we do this after a significant change in the law. There has not been one since 2016, but we feel it is still important to summarize key points every so often because many Social Security recipients are leaving money on the table by taking benefits early.


Social Security benefits are centered around what is known as Full Retirement Age (FRA). This is the age at which you can draw full benefits. For those born after 1960, your FRA is 67. If you draw benefits before your FRA, you get a reduced benefit. If you draw benefits after that age, up to age 70, you get an increased benefit. If you are married, it is very important to consider when to take your benefits because after the passing of a spouse, the surviving spouse gets the higher of the two individuals' benefits. If the higher earning spouse takes a reduced benefit and dies first, the surviving spouse gets that reduced benefit for the rest of his or her life.

The timing for spousal benefits is also important.

A spousal benefit is half of the other spouse's benefit and you can only draw it if the spouse is drawing his or her benefit. As with the regular benefit, there is a reduction for taking the spousal benefit early. For example, if you take the spousal benefit at the earliest possible time, age 62, you will get 32.5% (as opposed to 50%) of the spouse's benefit. However, there is no increased benefit for waiting beyond your FRA.

What makes the timing tricky is that most married couples are not exactly the same age! So, if the lower earning spouse is several years older than the other, he or she might have to wait until the younger spouse starts drawing benefits in order to get the spousal benefit. The most common situation for a spousal benefit to make a difference is when one spouse's regular benefit is less than half of that of the other spouse. In that case, the lower earning spouse could file for his or her regular benefit and then switch to the spousal once the other spouse started to draw his or her own. You can no longer start taking the spousal and switch to your own if your own is larger than the spousal benefit.





If you have any
questions about
Social Security
benefits,
we can help!

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The spousal benefit can also apply to divorcees. If you were married to your spouse for at least ten years and are not remarried as of age 62, you are entitled to a spousal benefit. Please note: this does NOT reduce the benefit of the former spouse. The amount is still equal to up to half of the ex-spouse's benefit, depending upon at what age you take it. A key difference here is that if your ex is eligible to draw Social Security benefits but has not started collecting, you may still collect the spousal benefit if you have been divorced for at least two years.

Survivor benefits are similar to spousal benefits, but there are important differences. For example, if you are a widow or widower and at least 62, you could draw a survivor benefit regardless of whether the deceased spouse was drawing a regular benefit. You may also draw a survivor benefit if you are under age 62 and caring for minor children. Unlike the spousal benefit, you may defer taking your own while drawing the survivor benefit and switch to your own later.

In all cases, if you take a regular or spousal benefit before FRA and continue to work, your benefits could be docked, depending on how much you earn. That is why it is important to talk to a tax or financial professional before you make a decision that will affect you for the rest of your life. If you have started to draw Social Security benefits within the past year, there is a one-time "do over" if you think you made a mistake. You can pay back the benefits you received so far and wait to file again later.

All of this is generic information and your individual situation will be unique. Please ask us if you have a question about Social Security benefits and, if we do not know the answer, we can help you get one. In light of longer life expectancy since the launch of Social Security in the 1930s, it is more important than ever to maximize your benefits. If you know someone else who has a question, please share this newsletter with a form for submitting a question to us. (Note: much of the information for this article was drawn from the Social Security website, ssa.gov.)

THANKFUL FOR YOU



Together, we have been through many circumstances: bear markets, wars, global recession, and a pandemic. Through it all, you have stayed with us and, especially at this season, we are very grateful.

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