



DECIDING WHEN TO TAKE SOCIAL SECURITY BENEFITS

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TAKE CONTROL OVER YOUR RETIREMENT INCOME BY CHOOSING WHEN TO START COLLECTING BENEFITS.

KEY POINTS

- A thoughtful approach can help you take full advantage of your Social Security benefits.
- Married couples have several claiming options.
- You can unwind your Social Security decision under certain conditions.

When should you start taking your Social Security benefits? You might be tempted to begin as soon as you qualify, but this may not be the best choice for you. Taking benefits at age 62 does create an immediate income stream, but you will receive a lower annual amount than if you wait a few years to start collecting. In fact, every year you wait, you increase your starting payment by 7%–8%, up to age 70. Thanks to those annual increases, if you wait until age 70 to begin receiving payments, your benefit will be almost twice as much as if you had started payments at age 62.

Before making any decisions, carefully consider your individual financial situation; when you start collecting could make a difference of several hundred thousand dollars to your retirement income. If you are single, your decision on when to take benefits may depend, in part, on the retirement savings at your disposal, other sources of income in retirement, and your life expectancy.

If you are married, however, you have additional options to consider, and the decisions you and your spouse make will affect your combined income in retirement. As with single individuals, you and your spouse can get the largest benefit from Social Security by waiting until age 70 to collect and continuing to work until that time. However, many couples may not want to both work that long. “In this case, we suggest a compromise in which the higher-earning spouse forgoes benefits until at least after his or her full retirement age (the age someone becomes eligible for full retirement benefits), ideally waiting until age 70,” says Judith Ward, CFP®, a senior financial planner with T. Rowe Price.

What's Your Full Retirement Age (FRA)?

- **65** if you were born before 1937
- **65+** if you were born between 1938 and 1942¹
- **66** if you were born between 1943 and 1954
- **66+** if you were born between 1955 and 1959²
- **67** if you were born after 1960

Source: Social Security Administration.

TIMING AND YOUR BENEFIT AMOUNT

The following scenarios show how different decisions produce different lifetime incomes from Social Security.

In these three hypothetical illustrations, a married couple, Paul and Jane, are both age 60. Paul currently earns \$50,000 per year, and Jane earns \$90,000. Paul survives until age 83, and Jane survives until age 95. Each scenario assumes a different age at which each spouse starts collecting their own benefit amount. Then, upon Paul's death, Jane (the surviving spouse), begins to receive the Social Security survivor benefit amount, which is the larger of a couple's two benefit payments.

1. Take Social Security as Early as Possible
2. Maximize Your Benefits
3. Collect Some Income Right Away and a Larger Survivor Benefit Later

Scenario #1—Take Social Security as Early as Possible

Both Paul and Jane could choose to receive benefits as early as age 62, when they become eligible. But that decision would mean they would both receive the smallest benefit available over the course of the entire retirement horizon.

Paul's annual benefit	At age 62	\$12,804
Jane's annual benefit	At age 62	\$19,404
	Survivor benefit	\$19,404
Cumulative lifetime benefit ³		\$909,216

Scenario #2—Maximize Your Benefits

Some couples may continue working through their 60s and not need their Social Security benefits right away. Consider if Paul and Jane each file for benefits at age 70, ensuring that they both receive the highest possible annual benefit from Social Security based on their personal work histories. In exchange for forgoing Social Security income in their initial years of eligibility, the couple has the potential to receive over \$300,000 more in lifetime benefits. "Maximizing the higher-earning spouse's benefit allows the surviving spouse to potentially plan a more financially comfortable retirement and ensures the highest possible benefit for the surviving spouse," says Ward.

Paul's annual benefit	At age 70	\$24,444
Jane's annual benefit	At age 70	\$35,952
	Survivor benefit	\$35,952
Cumulative lifetime benefit ⁴		\$1,216,572

Scenario #3—Collect Some Income Right Away and a Larger Survivor Benefit Later

If Paul and Jane have some flexibility in their retirement planning and still want to maximize the benefit for the surviving spouse (in this illustration, Jane), they can pursue a split strategy. They can wait to take the higher-earning spouse's (i.e., Jane's) benefit when she is age 70, while beginning to take Paul's benefit early at age 62.

"Paul's claiming at age 62 provides some income for the couple while they are in their 60s and puts less pressure on their investment portfolio while Jane's delay helps boost the couple's benefits significantly greater than what they would have if they both started collecting at age 62," says Ward. "Depending on their circumstances, the higher earner may need to work longer in order to make the delay feasible."

Paul's annual benefit	At age 62	\$12,804
Jane's annual benefit	At age 70	\$35,952
	Survivor benefit	\$35,952
Cumulative lifetime benefit ⁵		\$1,167,684

CONTROLLING YOUR INCOME

Waiting just a few years to apply for Social Security benefits can lead to significantly more income—especially for married couples. "Ultimately, the trade-offs you make and your choices about when to start taking benefits have the potential to affect your quality of life for years to come, especially for a surviving spouse," says Ward.

ANSWERS TO COMMON SOCIAL SECURITY QUESTIONS

Judith Ward, CFP®, a senior financial planner with T. Rowe Price, explains how to undo your Social Security filing decision and how to claim full benefits while working.

Q: If I have already started taking benefits and now regret my decision, do I have any recourse?

A: Yes. If you started receiving your benefits less than 12 months ago, you can pay everything back to the Social Security Administration and start over with a new claiming strategy at a later date. Alternatively, if you have been receiving benefits for more than 12 months and have reached your full retirement age (FRA), you can ask to "suspend" your benefits up to age 70, which could increase your payments as much as 32% (assuming an FRA of age 66). Keep in mind that when suspending benefits, all benefits based on your work history, including spousal benefits, will be suspended as well.

Q: I plan on working full time past age 62. Why should I delay benefits until I reach full retirement age?

A: If you file early but continue to work, the Social Security Administration will temporarily reduce your benefits, which will gradually be reimbursed to you, starting at your FRA. The already lower benefit you receive when you file before your FRA will be further reduced by \$1 for every \$2 you earn above the annual wage limit—\$16,920 in 2017. Once you reach your FRA, however, there is no limit on how much you can earn without any reduction in your benefits. If you are working past age 62, waiting to claim benefits helps avoid having your work income temporarily count against the benefit amount you're eligible to receive.

Set Up Your Social Security Account

It's a good idea to review your Social Security statement each year to make sure the earnings history is accurate and to see your benefit amounts at different retirement ages. This can help you better plan for the future, including coordinating benefits with your spouse, if applicable.

The Social Security Administration does not mail paper statements any longer, unless you're over age 60, aren't receiving benefits, and don't have an online my Social Security account.

If you haven't done so already, go to **SSA.gov** and set up your account.

NEXT STEPS

- For more information on Social Security benefits, visit **ssa.gov**.
- Visit the FuturePath® retirement planning resource, **troweprice.com/futurepath**.

¹For people born between 1938 and 1942, FRA is between age 65 and 2 months and age 65 and 10 months, depending on birth year.

²For people born between 1955 and 1959, FRA is between age 66 and 2 months and age 66 and 10 months, depending on birth year.

³Includes benefits for both Paul and Jane from age 62 to age 83, plus Jane's benefits until her death at age 95.

⁴Includes benefits for both Paul and Jane from age 70 to age 83, plus Jane's benefits until her death at age 95.

⁵Includes annual benefits for Paul from age 62 to age 83, plus Jane's benefits from age 70 until her death at age 95.

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