

# Social Security

## What Baby Boomers Need to Know to *Supersize* their Retirement Check

**Social Security is a Million-Dollar financial asset for most couples**, yet it's often treated as a step-child by most Baby Boomers. This chart is designed to help you understand Social Security's retirement benefits, identify eligibility requirements and customize income strategies to supersize your lifetime, monthly retirement income to the max. *Sources: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)), except as otherwise indicated.*

### Eligibility: When are you eligible to receive full or normal Social Security retirement benefits?

Your Full Retirement Age (FRA)*	The age you're eligible for full or normal retirement benefits.
Year of Birth	Full Retirement Age (FRA)
1937 or earlier	Age 65
1938 – 1942	Age 65 + 2 months for every year after 1937 until 1943
1943 – 1954	Age 66
1955 – 1959	Age 66 + 2 months for every year after 1954 until 1960
1960 and after	Age 67

\* You must have 40 quarters of coverage (10 years) to be eligible for SS benefits regardless of when you file for retirement benefits.

### Benefits: Early, Normal (FRA) or Late? You may start taking benefits as early as age 62, wait until Full Retirement Age (FRA - age 65 to 67) or delay benefits as long as age 70 - or at any age in between.

If You Take Early at Age 62: Income is Reduced	
If Your FRA* is age:	Monthly Benefit Reduction
65	20% reduction from FRA
66	25% reduction from FRA
67	30% reduction from FRA

If You Take Late at Age 70: Income is Increased	
If Your DOB is:	Annual Increase to age 70
1939 – 1940	7% annual increase from FRA benefit
1941 - 1942	7.5% annual increase from FRA benefit
1943 or later	8% annual increase from FRA benefit

\*If you file for benefits before FRA, any earned income above \$18,240 per year reduces benefits by \$1 for each \$2 of earnings. Once you reach FRA, you may continue working (full or part-time) without a reduction of your SS benefits.

### Beneficiaries: Who (other than you) can collect income benefits based on your eligibility for benefits?

Your Spouse	Income Benefit Amounts
<ul style="list-style-type: none"> <li>Age 62 or over</li> <li>Any age, with your child under age 16 or disabled child under age 22</li> <li>Age 60 if widowed, age 50 if also disabled</li> </ul>	<b>Spousal:</b> 50% of your income benefit (Primary Insurance Amount). <b>Survivor:</b> Generally, 100% of your income benefit. <i>Benefit amounts could be higher based on your spouse's own earnings history or reduced if taken before FRA.</i>
Your Ex-Spouse	Income Benefit Amounts
Age 62 or over: Must have been married at least 10 years, divorced at least 2 years and not be remarried. And, not entitled to equal or higher benefits based on their own work record.	<b>Spousal:</b> 50% of your income benefit (Primary Insurance Amount). <b>Survivor:</b> Generally, 100% of your income benefit. <i>Spousal Survivor income benefit amounts could be higher based on their own earnings history or reduced if taken before FRA.</i>

### Break-Even Analysis: How long does it take to break even if I delay taking benefits?

Your break-even age is when you'd come out ahead by waiting to claim benefits rather than claiming early. Depending on when you decide to start receiving benefits (age 62, age 65-67 or age 70), the actuarial break-even age is between 77 and 83 according to the Social Security Administration. It's a choice between smaller checks starting sooner or larger checks starting later – either choice is cost-of-living-adjusted with income paid as long as you live.

### Solvency: Will SS be there for me when I retire (and throughout my retirement)?

In 1960, it took 5.1 workers to support each SS retiree. Today it's about half that number at 2.6 workers per retiree. The 2020 Social Security Trustees' annual report says the SS Trust Fund will run dry in 2034. Since it's a pay-as-you-go system, SS will only be able to pay out what it receives in current SS taxes. Unless Congress acts, SS will only be able to pay out 79% of promised benefits to taxpayers in 2035 and beyond. With Congress increasingly under pressure from angry voters, my guess is there won't be an income reduction in 2035. They will get it fixed, one way or another.

### Cost-of-Living Adjustments (COLAs): How much will my SS check increase each year?

COLAs are calculated annually based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). For 2020, the COLA for SS benefits is 1.6%. Over the last 10 years it has averaged 1.52%.

## Income Stretchers and Strategies for *Everyone*:

**Delaying Benefits:** Delaying benefits from age 62 to FRA is a guaranteed increase of 25% to 30%, not including COLAs. Likewise, delaying benefits from FRA to age 70 increases benefits by 8% per year, plus COLAs.

**Take a Mulligan:** If you flip the switch on collecting benefits and change your mind within the first 12 months, you can repay the money SS previously sent you, and resume collecting benefits at a later date. It's as if you never received benefits in the first place - thus allowing you time to increase your future monthly retirement income.

**99% Do-Over:** Say you begin collecting reduced benefits at age 62. When you reach FRA (ages 66 to 67) you can voluntarily suspend benefits (without repayment) and defer collecting until later. Each year you defer after FRA increases your benefit by 8% (not including COLAs). If you restart benefits at age 70, you wind up collecting about 99% of what you would have originally received had you started at age 66 rather than age 62. *Note: If your spouse receives benefits based on your work record, they will not be able to receive benefits during the suspension period. Exception: Divorced spouses.*

**Supercharge Your SS:** Consider tapping investment accounts or home equity (home equity loan or reverse mortgage line of credit) to bridge the gap between age 62 and FRA or even age 70. Delaying SS just four years allows your check to grow by 8% each year - guaranteed + COLAs. A \$2,000 benefit at age 66 would grow to \$2,640 at age 70, plus COLAs.

**Lump Sum & Monthly Income:** At FRA (age 66-67) you're eligible for an upfront lump sum payment and a lifetime monthly income with the Retroactive Lump Sum option. For calculating the monthly benefit, your age is rolled back for up to 6 months. The number of rollback months determines your new reduced benefit amount and is the multiplier for the lump sum. With a 6-month rollback, a \$2,000 benefit could provide a \$12,000 lump sum check to start your retirement. Not bad.

## Income Stretchers and Strategies for *Singles*:

The rule of thumb for singles is to delay flipping the SS switch as long as you can (unless there are health or financial issues). This is particularly true for women since they have a life expectancy about 5 years longer than their male counterparts. In addition, women generally have smaller pensions and retirement accounts than men since they're often out of the job market for extended periods of time with child rearing responsibilities or as primary caregivers for elderly parents. These issues plus historical wage discrimination usually translates into lower SS retirement and pension income for women.

## Income Stretchers and Strategies for *Ex-Spouses*:

There's a subtle difference in the 50% spousal benefit that favors ex-spouses over current spouses. Your ex-spouse does not have to file for SS benefits for you to be eligible to tap into spousal benefits.

## Income Stretchers and Strategies for *Couples*: (Must be married continuously for at least one year.)

**Higher Earner Delays:** Unless personal circumstances dictate otherwise, the higher earner should delay receiving benefits longer than the lower earner. This not only boosts the family SS income for life, but the potential survivor benefits as well.

**Spousal Age Gap:** It could make sense to have the older spouse delay benefits longer (maybe age 70) and the lower earner hold off until Full Retirement Age (FRA) - age 66/67. This approach will increase total family SS income for life, and the potential survivor benefit as well.

**Restricted Application:** Only available if your DOB is on or before 1/1/1954. Here's what I did. Kathy retired at age 62 and filed for SS benefits. I waited to age 70 to file for mine. At age 66 though, I filed for spousal benefits under Kathy's account. This entitled me to start receiving 50% of her benefit from my age 66 to age 70. But it's 50% of Kathy's age 66 benefit (a larger amount) rather than her actual 62 benefit. Result: I got 76% of her age 62 benefit. At age 70, I filed for my own SS benefits. I received a 34% larger lifetime monthly benefit than if I'd filed at age 66. We were not only able to maximize our total family monthly income, but the survivor benefit Kathy (\$3,224) will receive if I die first.

Kathy's Benefit – Age 62	Jim's Spousal Benefit – Age 66	Jim's Benefit – Age 70	Kathy's Survivor Benefit
\$1,150	\$875 (Jim's normal FRA benefit = \$2,397)	\$3,224	\$3,224

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**All information in this report is believed to be accurate and up-to-date. However, it was produced for discussion purposes only for consultation with your financial advisor and the Social Security Administration before implementing any strategies discussed.**

**For more information on financial stretchers and strategies to maximize retirement income, visit my Website/BLOG:**

The Saltwater Geezer's Baby Boomer Guide to Retirement: [www.GuideToRetirementInLSD.com](http://www.GuideToRetirementInLSD.com)

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