

## When to start collecting Social Security benefits



**Q:** My wife is 65 and works part-time. She wants to start taking her Social Security benefit today. I'm 67, still working and enjoying a good income. Should she start taking her benefit now?

**A:** When a participant is less than full retirement age (her full retirement age is 66) and starts collecting social security, the participant's benefit is reduced by \$1 for every \$2 earned if the participant's income is over the 2017 maximum of \$16,920.

I hope that she has a January birthday, because the year when full retirement age is reached, her earnings are limited to \$44,880 before benefits are reduced by \$1 for every \$3 earned. This limit only applies to the months prior to the actual birthday. After celebrating her 66<sup>th</sup> birthday, earnings can be a million dollars a month with no reduction in benefits. Again, the December birthdays always seem to get short changed. In this case, the month of the birthday matters.

All is not completely lost if benefits are reduced. Social Security recalculates and gives credit for months not receiving the full benefit. The credit (in months) is applied to future benefits when reaching full retirement age. Essentially months are added back

to the original retirement date calculation. It's complicated.

Benefit records are reviewed every year as long as the worker is paying Social Security tax on earnings. If there is an increase in earnings, a new benefit amount will be calculated.

Taking SS at age 62, instead of age 66, triggers a life-long benefit reduction of 30%.

Easy math: benefits can be \$700 a month today or \$1,000 a month at full retirement age. (Check out the Social Security website [www.ssa.gov](http://www.ssa.gov) for a list of retirement ages based on birth years.) Every year (after full retirement age) that she delays taking her benefit, she gets an increase of about 8% per year.

The decision of when to take Social Security benefits is not easy and longevity is the greatest risk in retirement. The life expectancy calculator on the SS website predicts that a woman age 65 today can expect to live, on average, another 31.6 years.

Another option for you two to consider is that spouses may collect on each other's benefits without affecting either benefit. You said that she works part-time, so assuming that her benefit is less than yours, she can claim half of your benefit at her full retirement age of 66 – even if you aren't claiming your benefit. That would give her income next year while her benefit continues to increase.

The time to take a Social Security benefit is driven by personal factors like health, family history, and the ability to do things today that you might not be able to do without this income. Do you want to have more fun while you're younger and healthier, or do you prefer to have the security of the higher benefit? There's always a trade-off.

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