

# Social Security retirement age: When to take Social Security benefits

Probably the biggest – and arguably most important – question near-retirees have about Social Security is when the best age is to start collecting the program’s monthly benefit checks. The optimal answer depends on your financial situation, but you’ll receive a higher monthly check if you wait longer.

While you can begin taking Social Security as early as age 62, you’ll receive your entire benefit if you delay until your full retirement age. Plus, Social Security will pay you a bonus if you wait until after full retirement age to claim your benefits. So, there’s extra incentive to wait, if you can.

Here’s what to know about taking Social Security and the trade-offs between claiming your benefit before, during or after your full retirement age.

## When should you start collecting Social Security benefits?

To determine when you should start taking your benefits, it’s important to understand how much your check is affected when you claim your benefit. As mentioned before, you can claim your benefit as early as age 62 but reaching full retirement age can secure your full benefit.

So when exactly is the full retirement age for Social Security? That depends on when you were born.

| Year of birth   | Full retirement age                   |
|-----------------|---------------------------------------|
| 1937 and before | 65                                    |
| 1938-1942       | 65 + 2 months for each year past 1937 |
| 1943-1954       | 66                                    |
| 1955-1959       | 66 + 2 months for each year past 1954 |
| 1960 and later  | 67                                    |

Source: Social Security Administration

While the full retirement age used to be 65, changes to the program have increased that age. For example, those born in 1955 now have to wait an extra two months beyond age 66 to claim their full benefit. Someone born in 1959, for example, would have to wait until age 66 and 10 months to get the full benefit. Anyone born in 1960 or later, receives their full benefit at 67.

But some retirees choose to wait even longer. You may wait until as late as age 70 and claim a bigger check, but you won’t receive any bigger benefit for delaying longer.

So, what is the upside to delaying your Social Security benefit after age 62? Your check won’t get hit by a serious benefit reduction. Here’s how a full retirement benefit of \$1,000 is affected if you claim your benefit as soon as you’re eligible at age 62.

| Full retirement age | If you file at 62, benefit reduced by: | A \$1,000 check becomes |
|---------------------|--|-------------------------|
| 66                  | 25 percent                             | \$750                   |
| 66 and 2 months     | 25.83 percent                          | \$741                   |
| 66 and 4 months     | 26.67 percent                          | \$733                   |
| 66 and 6 months     | 27.5 percent                           | \$725                   |
| 66 and 8 months     | 28.33 percent                          | \$716                   |
| 66 and 10 months    | 29.17 percent                          | \$708                   |
| 67                  | 30 percent                             | \$700                   |

Source: Social Security Administration

Those are big hits for taking the benefit a few years earlier. For example, if you were born in 1961 and file for benefits at age 62, your monthly benefit will be 30 percent less than if you had filed at your full retirement age of 67.

Once you file for your benefits, you're stuck with your paycheck, though annual cost of living adjustments may push the monthly benefit higher. However, if you file for early benefits, you do have 12 months from when you file to withdraw from the program, but you'll have to return any money you've received. This move will allow you to claim benefits later at a higher amount.

#### **Taking Social Security: How to benefit by waiting**

For those who are able to do so, it may make sense to wait even longer, because you'll receive a larger monthly benefit – even more than your full benefit. Every month past your full retirement that you delay, Social Security will increase your check by about 0.7 percent per month.

If your full retirement age is 66, then here's how much your check would increase:

| Retirement age | New benefit (percentage of full benefit) | A \$1,000 check becomes |
|----------------|--|-------------------------|
| 66 + 6 months  | 104 percent                              | \$1,040                 |
| 67             | 108 percent                              | \$1,080                 |
| 67 + 6 months  | 112 percent                              | \$1,120                 |

| Retirement age | New benefit (percentage of full benefit) | A \$1,000 check becomes |
|----------------|--|-------------------------|
| 68             | 116 percent                              | \$1,160                 |
| 68 + 6 months  | 120 percent                              | \$1,200                 |
| 69             | 124 percent                              | \$1,240                 |
| 69 + 6 months  | 128 percent                              | \$1,280                 |
| 70             | 132 percent                              | \$1,320                 |

Source: Social Security Administration

So if your full retirement age is 66, then if you can wait two more years and claim benefits at age 68, you'll increase your monthly check by 16 percent. In this case, if your full benefit were \$1,000 a month, your new benefit would become \$1,160 per month. And you'll still receive cost of living adjustments on top of this amount, typically raising your payout a little each year.

Workers have other ways to grow their Social Security benefits, but these aren't quick fixes. Any strategy that increases your benefit boils down to this: Work longer, earn more money and wait as long as possible to claim Social Security.

**What to consider before filing for Social Security**

A larger benefit check sounds great, but there are tradeoffs, and soon-to-retire folks should consider multiple issues before they decide one way or the other on when to file. If you really want to consider all the avenues, then you'll have to think about your finances and longevity – two issues that people have a hard time grappling with.

But here's the key trade-off: you can file early and take a reduced benefit, expecting that a shorter life span will mean you receive more now. Or you could file at full retirement age or later and claim a bigger check, and eventually live long enough to claim more than the first approach.

"Social Security is like longevity insurance," says Brent Neiser, a certified financial planner and former chair of the Consumer Advisory Board at the Consumer Financial Protection Bureau. "It's a stream of payments that will not stop throughout your life, so delaying your benefits to keep those payments as large as possible forms a helpful base to your retirement plan."

Neiser urges those who have not saved enough for retirement to use whatever means possible to postpone their Social Security benefits until after their full retirement age to help boost their future income.

“You can use personal savings to help bridge the gap, but ideally you should plan to work a little longer (and delay Social Security),” Neiser says.

### **Watch out for hidden costs**

You’ll also want to consider other lifestyle factors, especially Medicare. Americans become eligible for federal health insurance coverage at age 65, well after when you can begin to file for Social Security.

“If you stop working at age 62 and lose health insurance, you have to get supplemental insurance to bridge the gap until you turn 65 and Medicare kicks in,” Neiser says.

If you work during retirement, you have another incentive to delay collecting Social Security. Earning too much at a job after you begin collecting your benefit can reduce your payout, but only if you have yet to hit full retirement age.

However, when you hit full retirement age, your benefit will increase to account for any benefit that was withheld earlier due to working. Here’s how much you can earn and not get hit.

- If you’re younger than full retirement age for all of 2024, the Social Security Administration will deduct \$1 of your monthly check for every \$2 you earn above \$22,320 per year.
- If you reach full retirement age in 2024, the administration deducts \$1 of your monthly check for every \$3 you earn above \$59,520 until the month you reach retirement age.

You’ll also owe Social Security and Medicare tax on your earnings, even if you’re already receiving benefits.

So those are some potential pitfalls to claiming Social Security early.

### **Early benefits can still pay off**

However, taking early benefits can still pay off despite the reduced monthly check. But you’ll want to be sure you budget for a reduced benefit.

“No one can predict how long you’ll live, but if you’re facing a potentially significant reduction in life expectancy and are short of income, taking Social Security early may be appropriate,” Neiser says.

Married women are also good candidates for claiming early benefits because they are likely to outlive their husbands. Those widows then become eligible to receive the greater of either their benefit or their late husband’s benefit.

However, this scenario works only if the husband does not claim his benefits early. By not claiming early benefits, the husband effectively increases the monthly benefit his wife eventually receives. So, you’ll want to calculate how filing early will affect your spousal benefit here.

## **What's your Social Security break-even age?**

If you're looking to maximize your total lifetime Social Security payout, you'll want to conduct a break-even analysis to determine when you should start drawing your benefits.

Your break-even age occurs when the total value of higher benefits (from postponing retirement) starts to exceed the total value of lower benefits (from choosing early retirement).

For example, if you are eligible to collect a reduced \$900 benefit at age 62 plus 1 month, and your benefit would increase to \$1,251 at age 65 and 10 months, your estimated break-even age is 75 years and 5 months.

If you expect to live beyond that age, it could make financial sense to delay drawing benefits. The Social Security Administration's life expectancy calculator can help you decide.

When it comes to calculating a start date for Social Security benefits, however, there's not an age that's appropriate for everyone. Consider your own financial needs, health and other retirement plans before making the call. If you can't reasonably afford to live without taking benefits, it may make little sense to delay taking your benefit.

### **Bottom line**

Choosing when to take Social Security can be a tough decision, because you won't have some of the key information – like how long you'll live – to make the optimal choice. But if you expect to live until a ripe old age and you otherwise have your own financial resources, it can make a lot of sense to delay taking your monthly benefit and pile up a larger paycheck while you wait.

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