

Savvy Social Security Planning: What Baby Boomers Need to Know About Their Retirement Income*

PROBLEM: People are hurting their retirements by making terrible, costly decisions about Social Security.

UNPACKING PROBLEM: People often come to the issue of claiming Social Security with little knowledge about how it works, sometimes overly influenced by myths they've heard repeated over the years.



Things to know about Social Security:

- ✓ You have many claiming options
- ✓ Decisions have far-reaching consequences
- ✓ Choice impacts both spouses
- ✓ System is not bankrupt, nor a Ponzi scheme
- ✓ Benefits likely helped a friend or family member
- ✓ Your friends aren't experts

INSIGHT #1:

Social Security is inflation-protected income. You've paid the premium in every paycheck, so be smart about how and when to collect.

- ✓ Social Security offers income you can't outlive.
- ✓ Social Security offers annual cost-of-living adjustments (COLAs) starting at age 62, whether or not benefits have been claimed.
- ✓ Your benefit will depend on how much you earned over your working career and the age at which you apply for benefits.

INSIGHT #2:

Your monthly benefit will be reduced if you claim "early." It may also be reduced for taxes and Medicare premiums. And benefits could be withheld if you work.

- ✓ "Full retirement age" (FRA) is the age at which you can claim full, unreduced benefits. FRA is age 66–67 depending on your birth year.
- ✓ If you apply before FRA your benefit will be reduced by up to 30%.
- ✓ If you apply after FRA you will receive 8% "bonus credits" per year until age 70.

Reframing your claiming decision

In life, people would rather be "early" than "delayed" and they'd rather get a "bonus" instead of a "penalty." But with Social Security, it's actually the opposite: "Early" is to "penalty" as "delayed" is to "bonus."

INSIGHT #3:

For couples, you should always maximize the higher earner's benefit to protect the surviving spouse.

- ✓ The surviving spouse will step into the higher benefit after the higher earner dies.
- ✓ Spousal strategies can be complicated and need a personal analysis.

INSIGHT #4:

If you're widowed or divorced, you may be eligible for survivor benefits, divorced-survivor benefits, or divorced-spouse benefits that can increase your total monthly check.

- ✓ The amount of the survivor benefit depends on the ages at which the deceased spouse claimed benefits and when the widow(er) claims.
- ✓ Divorced-spouse benefits and divorced-spouse survivor benefits might be available if a marriage lasted more than 10 years and the one receiving benefits is currently unmarried.

SOLUTION: Everyone needs a personalized Social Security claiming analysis to understand when to apply and how their monthly benefit will fit into their overall retirement income plan.

*Information is subject to change and many factors can influence the amount of your retirement benefit.

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