The "Magic Age": What You Need to Know About Social Security Claiming Strategies

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You may have heard that choosing the right social security claiming strategy can help you and your spouse maximize your benefits. But which strategy is best? What's the appropriate age to claim? What about spousal benefits? If you're wondering which path to take, these social security basics may help you get started.

Choosing the right age to claim

Retirees can apply for social security anytime between ages 62 and 70. Claiming as early as age 62, however, can permanently reduce not only your benefits but your spouse's survivor benefits. On the flip side, delaying until age 70 rewards the worker with the maximum benefit and locks in the highest possible benefit for a widow or widower. Of course, retirees who wait until age 70 to claim benefits may need to bridge the income gap by drawing down their retirement portfolio. So, what is the "magic age" to claim?

Until you or your spouse reaches your full retirement age (FRA), you won't be able to take full advantage of social security claiming strategies. For many of today's retirees (those born between 1943 and 1955), FRA is 66. If you fall into this category and claim your benefits prior to age 66, you will automatically apply for both your worker benefit and any additional benefits you qualify for as a spouse, assuming your spouse is already receiving benefits. If you wait until your FRA to claim, however, you can elect to take one benefit or the other, switching them at a later date if advantageous. In addition, once you reach your FRA, social security benefits are no longer offset by earned income from work.

It's worth noting that the magic age doesn't have the same effect on spousal survivor benefits. A surviving spouse can claim either his or her own benefit or the survivor benefit independently (even prior to FRA), then switch to the other benefit after FRA. In other words, by claiming prior to FRA, the spouse isn't deemed to have claimed both the survivor benefit and his or her own worker benefit.

Making the most of spousal benefits

It's a common assumption that, if both spouses delay claiming social security until age 70, they can maximize their monthly benefits. That's not always the case, however. To help ensure that you don't leave money on the table, here are a few strategies to consider. (Note that, for a couple to take advantage of these strategies, at least one spouse must have reached FRA.)

- **Claim the spousal benefit when one spouse reaches FRA.** You can only earn delayed retirement credits on your own worker benefit, not by delaying the spousal benefit. If your spousal benefit will always be greater than your own benefit, it makes sense for you to take advantage of the spousal benefit sooner rather than later.
- **"Claim now and claim more later."** With this popular strategy, you apply for social security at FRA but suspend payments until age 70. This allows your spouse to submit a restricted application for spousal benefits if he or she has also reached the magic age. In the meantime, both of you will continue to earn delayed retirement credits on your own

worker benefits. Then, when each of you reaches ages 70, you can apply for your maximized benefits. (Keep in mind that only one spouse can file and suspend so that the other can claim spousal benefits; it's not possible for both spouses to file and suspend.)

- **Claim the lower benefits first.** Cash flow needs may require you to turn to social security before both spouses reach FRA. But, if your budget permits, there's still an opportunity to enhance your overall social security strategy. Here's how it works: The spouse with the lower benefit claims as early as age 62; meanwhile, the other spouse waits until his or her FRA and files a restricted application for spousal benefits, which will amount to half of the lower-earning spouse's full retirement benefit. Then, at age 70, the one receiving spousal benefits switches to his or her own worker benefit, which has accumulated delayed retirement credits. Once the spouse with the higher earning history claims his or her retirement benefit, the other spouse can switch to the spousal benefit if it's higher.

Beyond the basics

It's important to note that many social security claiming strategies seek to provide a larger cumulative benefit over a couple's lifetime rather than generating a greater benefit today. If you and your spouse have shortened life expectancies, a delayed claim may shortchange you, possibly lowering your current standard of living or depleting retirement assets that could pass to your heirs.

Clearly, when it comes to determining the optimum social security claiming strategy, numerous variables are at play. Your financial advisor can help you evaluate the benefits of different strategies and find the option best suited to you and your unique situation.

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