



SINGER WEALTH

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The optimal time to start taking Social Security

Your entire working life the government has been taking part of your paycheck to fund your future retirement income through Social Security. You are eligible at age 62 to start receiving those benefits but the longer you wait the more income you receive for the rest of your life.

If you were born after 1960, you get full retirement benefits at 67. If you start at age 62, you only get 70% of your benefit but you receive payments five years earlier. On the flip side if you wait until age 70, you will make 24% more per year plus annual inflation increases.

Many people start taking benefits early because they fear dying prematurely and leaving money on the table. Other people simply value receiving money now over receiving potentially more money later. I disagree with this thinking.

The reality is Social Security income addresses two of the biggest risks that retirees face, inflation risk and longevity risk. Social Security pays as long as you live and as we have seen this past year, it provides very significant inflation increases. For married couples, spouses should strongly consider deferring and maximizing the larger of the two Social Security payments

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because that payment will continue while either spouse is still alive.

If you wait until you reach age 70, you need to live to 82.5 to break even which is typically less than your life expectancy. If you are a 70-year-old man your life expectancy is age 84.1. However, if you are married to a 65-year-old woman her life expectancy is about 20 years, which would put your joint life expectancy way past the break-even point.

On top of that, life expectancy keeps getting longer with continued medical advances. Additionally, if you are affluent, eat right, exercise and get proper medical care, you will likely enjoy above average life expectancy. However, what is more important than playing the smart mathematical odds is simply making the choices that will help maximize your continued financial security.

Source: U.S. News