

3 REASONS PEOPLE TAKE SOCIAL SECURITY BENEFITS AT 62

If you're close to age 62, you've probably gotten a letter in the mail informing you of your options with Social Security. If you've paid into Social Security while working, you have the option to start receiving Social Security benefits anytime between age 62 and 70. If the government is writing you a check, shouldn't you take it now? Not necessarily.

About 45% of Americans take their Social Security benefits the first chance they get.¹ For some, this is the right thing to do, but for others, they're reducing their lifetime Social Security income. Here are three reasons a person may take their Social Security at 62.

1. With the passing of the budget in November 2015, Social Security options for spouses have taken a significant hit. Extra benefits like file-and-suspend and restricted applications are off the table. So shouldn't the higher-earning spouse take their benefits now? Not always. There are still ways for spouses to maximize their Social Security benefits. One option is for the lower-earning spouse to claim benefits early, anywhere between 62 and full retirement age. This will provide a couple at least one Social Security check. The higher-earning spouse would then let their Social Security accumulate to age 70. Due to the way Social Security is currently constructed, their Social Security will increase by 8% every year they wait until full retirement age.² This allows the spouses to make up their Social Security as well as some of the benefits that the lower-earning spouse gave up by taking Social Security early.
2. Social Security payments are based on actuarial assumptions. What this means is that the government can assume they're going to pay out roughly the same benefits because someone may die in their 60s while someone else may live into their 90s. Your personal situation can contribute to when you start Social Security.

If you're sick or have other health risks, it may be better to take your benefits at 62. However, if you're in great health, exercise, and eat well, you could very well live into your 90s. If this is the case, you have the potential to receive more money from Social Security by delaying your first paycheck until 70 than you would by taking it at 62.

Obviously, there is no guarantee to how long you'll live, but if you believe you'll live into your 80s or beyond, delaying Social Security may help you more in your lifetime.

3. We hear the doom and gloom about Social Security running out all the time. And while it's true that Social Security as it stands can't pay benefits forever, they're probably going to make sure some sort of benefits will be paid. As of today, Social Security would run out in about 2034.³ However, anytime between now and 2034, benefits can be slightly reduced, extending Social Security even further.

It's important to know that this isn't the first time Social Security has been in danger of running out of funds. Previously, the government pushed back a person's full retirement age in order to keep Social Security running. It may not be in the form it is now, but it's not going away entirely.

So, you hear these reasons why you should delay Social Security, but how do you find out what's best for your personal situation? The best thing to do is to meet with a financial professional who can run a Social Security analysis to show you what benefits you can receive each year, any spousal strategies you can take advantage of, and how life expectancy can affect your benefits. Know all the facts and options before you turn on your Social Security benefits.

¹Annual Statistical Supplement to the Social Security Bulletin, 2013 (SSA 2014, Table 6.B5).

²<https://www.ssa.gov/planners/retire/delayret.html>

³<https://www.fool.com/retirement/2018/06/06/2018-social-security-trustees-report-the-5-things.aspx>

*Applies to people born in 1943 or later

This information was developed as a general guide and is not intended as tax or legal advice. You should seek advice based on your particular circumstances from an independent tax advisor as tax laws are subject to interpretation and legislative change and are unique to every specific taxpayer's particular set of facts and circumstances. Financial professional is not affiliated nor endorsed by the Social Security Administration or any other government agency. Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company.