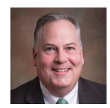
# When should I begin to receive my Social Security benefits?

Your Social Security benefits are likely an important part of your retirement income plan, so choose your timing wisely.

### KEY INSIGHTS

- Delaying when you receive your benefits can lead to higher monthly payments and help protect you financially, especially if you live a long time.
- Cash flow needs, your spouse's plans, and your financial goals are all important factors to consider.
- Claiming benefits early while you're still working may not be your best option.



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After decades of paying into Social Security, Americans in their 60s must decide when to start receiving their benefits. According to an analysis of Social Security Administration (SSA) data, between 50% and 60% of workers elect to receive their Social Security benefits before their full retirement age (FRA).[1] (See "Your Full Retirement Age.") While that may be the right move for some, many savers will benefit from delaying payments until age 70 (or in some cases until their FRA), to increase the size of their monthly benefit.

## Age and Work Can Affect Your Benefits

The size of your benefit will vary depending on the choices you make, including when you file for benefits and whether you earn significant work income while receiving benefits. The benefit if you file at your FRA is called your primary insurance amount (PIA), but that is not the maximum you can receive. Your benefit increases by 8% of the PIA for every year past FRA that you delay receiving it, until you reach age 70. Filing as early as possible—at age 62—can cause up to a 30% reduction in benefits compared with your PIA, or almost 44% versus claiming at age 70. Looking at it slightly differently, someone who reaches the FRA of 66 and eight months in late 2024 but waits until age 70 to file would receive a monthly benefit nearly 27% larger than the PIA, or 77% more than the amount if claimed at age 62. (All numbers exclude inflation adjustments.) There is no additional benefit for filing after age 70.

Claiming benefits before FRA while still working can further reduce the size of your benefits. If you exceed the 2024 earned income limit of $22,320 per year, your benefits will be reduced by $1 for every $2 you earn above the limit.[2] If you are going to continue to work, you should usually wait to take Social Security if at all possible. If you work while collecting Social Security, your benefits are recalculated in the

[1] "Are Social Security's Actuarial Adjustments Still Correct?," Center for Retirement Research at Boston College, November 2019.
[2] For income earned in the year you reach FRA but before the month you reach FRA, $1 is withheld for every $3 earned above $59,520 (for 2024).

Your benefit increases by **8%** for every year past your FRA that you delay receiving it, until you reach age 70.

month you reach your FRA to account for the amounts withheld. As a result, the reduction for the excess earnings isn't permanent. To be clear, this is about when to claim benefits if you haven't already—it does not mean you should let the temporary benefit reduction dissuade you from working between 62 and 67!

### Questions to Consider

Since most people rely on Social Security for at least part of their income in retirement, it's important to make choices that maximize the impact these benefits have on your retirement income plan. (See "Why Claim Early or Later?") To that end, consider the following questions:

#### 1. What is your life expectancy?

While this question can be difficult to address, you can use some available information to think about it. Considering the longevity of relatives or your current health is a good place to start. Additionally, you can use an estimate from sources like the SSA Life Expectancy Calculator. The longer a person expects to live, the more it makes sense to delay Social Security benefits. If you have known medical issues or otherwise believe you will likely die well before age 80, you may want to consider receiving your benefits early. But women and people with higher incomes, who tend to live longer than average,[3] are among those who should consider delaying.

#### 2. What are your financial priorities?

If you expect to have higher expenses early in retirement and aren't worried about outliving your assets, then receiving your benefits early can help meet those priorities. However, if you are concerned about longevity risk—namely, the risk of outliving your assets and income—then delaying would likely be a better option.

#### 3. What will your spouse do?

Couples must also plan when each spouse should file for benefits. The higher-earning spouse should consider delaying to receive the highest benefit possible, particularly to maximize the future survivor benefit. The key is to think about how old the higher earner would be when the second spouse is expected to die—whichever spouse that turns out to be. That's the time span that determines how many years of benefits are collected based on the higher earnings.

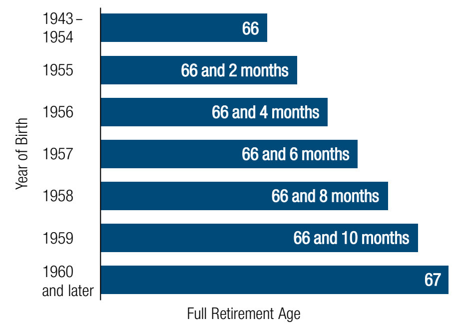
The lower earner may still want to take their benefit at or before FRA. This way, they get some income while they're in their 60s, while the higher earner waits until age 70 to begin collecting benefits. If both spouses claim early, however, the surviving spouse may be startled by the size of the benefit reduction when their partner passes away.

#### 4. Will you continue to work?

Receiving early payments while continuing to work can reduce your benefits. If you do plan on working, consider delaying your benefits at least until your FRA.

### Your Full Retirement Age

FRA varies depending on your birth year.




Source: SSA.gov
Social Security considers people born on January 1 to have been born in the prior year.

#### 5. Will you have other sources of income?

If you expect to receive a pension or have other sources of guaranteed income, you might choose to file for early benefits if doing so allows you to delay drawing down your savings.

[3] "Mortality by Career-Average Earnings Level," Social Security Administration, April 2018.

This strategy is most appropriate if the pension and early benefits allow you to be more aggressive with your portfolio's asset allocation, thus positioning your investments for greater potential growth. Social Security essentially includes an implied return of around 3% in its calculation of the benefits of delaying. So you could take Social Security early and then not draw down your assets as quickly if you think you're going to make more than that 3%. However, remember that the 3% implied return from Social Security is essentially risk-free.

On the other hand, if most of your other income will come from distributions from tax-deferred retirement accounts, waiting to claim Social Security benefits can help significantly reduce your tax burden. That's because you are shifting your income sources toward one that is partially untaxed, and you will have more flexibility to employ tax-efficient strategies.

### Weigh Your Options

It may be tempting to begin receiving your Social Security benefits as soon as possible—particularly after years of paying into the program. But without carefully weighing your choices, you risk shortchanging yourself by taking reduced benefits. Delaying as long as possible until age 70 can help you maximize your lifetime benefits. That strategy can help bolster your income plan for a retirement that could last three decades or more.

While this article summarizes key factors to consider, read "How can I create a smarter strategy for claiming my Social Security benefits" for more specific ideas. In addition, our online Social Security Optimizer and consultation with a financial professional can help you with projections and weighing the options.

## Why Claim Early or Later?

Multiple factors influence when you should file for your Social Security benefits.

| Reasons to Consider CLAIMING EARLY | Reasons to Consider CLAIMING LATER |
|---|---|
| Short life expectancy or known medical issue | Good health or family history of longevity |
| Spending early in retirement is a high priority | Concerned about outliving your assets and income |
| You are the lower-earning spouse (to get extra years of benefits based on your own earnings before taking spousal benefits) | You are the higher-earning spouse (to maximize survivor benefits) |
| Stopped working and need cash flow | Still working |
| Expect to receive significant pension* | Limited other guaranteed income sources and/or a large portion of assets in tax-deferred accounts |
| Seeking more asset growth potential (with higher risk) by taking Social Security instead of drawing down investments | More risk averse (and thus less likely to earn high returns on investments) |

* A pension reduces your longevity risk, which may enable you to safely claim earlier. However, you may still want to claim later based on other factors above.

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