

Attorney Timothy P. Crawford, CPA, CELA*, CAP**
wanted to share this information with you.

Collect Now, or Later? Timing Your Social Security Benefits

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Collecting Social Security as soon as you are eligible is a tempting proposition — but experts agree you should try to resist if you can.

The majority of people don't follow that advice, choosing instead to start benefits early. Why wait to collect what is rightfully yours?

That logic may sound reasonable now. But in reality, the bigger risk is that you will live to a ripe old age. You can claim Social Security any time from age 62 to 70, but the longer you wait, the larger your monthly check. And many people come out ahead if they wait at least until their full retirement age, which is different from the day you stop working for good. For people born 1943 to 1954, full retirement age is 66, and it creeps up for younger people.

What do you stand to lose by taking benefits early? Take those who are set to receive \$1,000 a month at their full retirement age. If they sign up for benefits at age 62, they will collect only \$750. But if they wait until 70, they will earn extra credit and receive up to \$1,320 a month — nearly a third more.

At first glance, it seems that everyone should wait until they are 70. But that is not the case. The answer depends on many factors, including when you stop working, how much you have in savings, whether you are healthy, whether you are married or single and whether your spouse earns more — or less.

It may be impossible for some households to wait because the breadwinner has lost a job or is no longer able to work. And planners agree that it is smarter to collect earlier if it will prevent you from accumulating debt.

But if you can wait, think of the money you aren't receiving during that period as a payment of sorts for an annuity that will pay a higher, guaranteed stream of income later, if you live a long time (or at least longer than your savings last), financial experts say.

“You can’t buy an inflation-adjusted annuity for anywhere near the cost of delaying Social Security,” said Henry Hebler, a retired Boeing executive who created AnalyzeNow.com, a Web site that offers retirement advice and calculators.

For people who choose to defer benefits until age 66, it generally takes about 12 more years to collect as much as if you started getting checks at 62. So you break even, so to speak, about age 78, according to Avram Sacks, a Social Security law analyst for CCH, a tax and accounting information service. “If you are in good health, and you expect to live to 78 or longer, then the advantage goes to the person who waits,” he says. “But that’s assuming we’re all prophets and we know what’s going to happen tomorrow, and we don’t all know.”

And that is why financial advisers recommend planning for a long life. Here are some strategies to consider before signing up.

SINGLES Figuring out when to collect is easier when you do not have to worry about how your actions will affect a spouse. It usually pays to wait until your full retirement age if you can support yourself until then. (This obviously does not apply to people who are already in poor health and probably won’t live past 78, give or take a couple of years. People who are still working should also defer.)

Though many experts will tell you to delay as long as you can, waiting from 66 until 70 may not be optimal for some singles. “The reason is that they will have consumed too much of their savings in those extra four years to be able to offset the savings loss with higher Social Security payments within their lifetime,” said Mr. Hebler, who has also written three books on retirement. “It’s surprising, but that’s what the analysis shows.”

Consider a single person with \$200,000 in savings returning 5 percent a year. Instead of taking Social Security at age 62, she withdraws \$19,000 annually until she turns 66. Her savings will last until age 94, but she will still have \$21,000 a year in Social Security benefits. If she claimed at 62, her savings would run out at age 87 and she would be left with only \$16,000 a year in Social Security.

For people with significant savings who expect to live well into their 80s, it may make sense to wait until 70, Mr. Hebler added.

If you have already started receiving benefits, but wish you had waited, you are allowed to give it all back and start over. But this gets complicated. You will probably have to pay back more than what you actually received each month, since Medicare premiums and income taxes may have been deducted. Married people can do this, too, but some advisers caution against it.

MARRIED COUPLES Planning is more complex for married couples because there are age differences, varying retirement dates and earnings and other factors to consider. In many cases, the higher-earning spouse should delay his or her benefits until age 70, while the lower earner begins to collect at age 62. This ensures that the surviving spouse will end up with the maximum amount of benefits for the rest of his or her life. Even if the higher earner died before age 70,

the survivor's benefits would be bumped up to what the deceased spouse would have gotten, said Lesley J. Brey, a fee-only financial planner in Honolulu.

But once the higher earner hits full retirement age, there is a way for the lower earner to potentially get a bigger check by qualifying for spousal benefits. The higher earner can "file and suspend," or file for benefits but immediately suspend them — it is perfectly legal and allows the lower-earning spouse to get up to half the higher earner's benefits, while the higher earner's benefits continue to accrue.

"This is the way to get the most out of the system without jeopardizing the longevity insurance aspect, which is the most important component," Ms. Brey said. "You want the last survivor to have the highest possible payment. However, you get cash flow, which reduces the amount you have to withdraw from other sources and you don't have to guess when anyone is going to die."

But if the couple can afford it, should the lower earner wait until full retirement age? "It doesn't matter because the goal is to get the most money for the person who lives the longest," Ms. Brey said.

Married people with similar earnings may also consider another strategy. Here, one person claims spousal benefits at full retirement age and switches to his or her own, and presumably higher, benefits later, said Alicia H. Munnell, director of the Center for Retirement Research at Boston College.

To get a more precise idea about how to maximize your benefits, go to the Social Security's retirement estimator, which uses your actual earnings record in its calculation. (Click on "create scenarios" to how retiring at different ages affects benefits). AnalyzeNow.com offers calculators that will help determine the best time for singles and couples to take Social Security.

If figuring it all out on your own proves too difficult, have a fee-only financial planner run the analysis for you. "It is worth it," Mr. Hebler said, "to spend the money."

**"Those Who Plan Ahead Win.
Those Who Don't Plan Ahead Lose."**

This article is not intended as legal advice. It is basic information. I would recommend that you call Attorney Timothy P. Crawford for a free conference to discuss your situation in more detail. Attorney Timothy P. Crawford can be reached toll-free at 1-888-634-6675. When you call in, please mention the fact that you have read this article.

*Attorney Timothy P. Crawford is a Board Certified Elder Law Attorney(CELA). He has been Board Certified by the National Elder Law Foundation which has been approved as the Sole Certifying Organization for Elder Law Attorneys by the American Bar Association.

**Timothy P. Crawford was invited to join the Council of Advanced Practitioners of the National Academy of Elder Law Attorneys (NAELA) in August of 2005. The Council of Advanced Practitioners (CAP) is a small group of premier elder law attorneys, all of whom have been members of NAELA for at least 10 years, are certified as elder law attorneys by the National Elder Law Foundation, and are AV rated the top in the nation by Martindale Hubbell. A Service that provides an independent rating of the quality of attorneys.

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