



Consumer Tips from Your Community Banker (May 2013)

Retirement: When to Begin Collecting Social Security Benefits

At age 40 or even 50, many Wisconsinites may find it ludicrous to think about collecting Social Security payments. Yet knowing the facts now can be a good foundation as you plan for your future retirement. After all, everyone grows older.

For boomers retiring now, the full retirement age is 66 (up from 65). By 2026 it will be 67, as the federal government takes into account people's increased longevity.

Did you know? How long you work and when you claim will usually have a much greater impact on your retirement income than how much you save or invest on your own. You can claim retirement benefits anywhere between the ages of 62 and 70. If you wait until age 70, your monthly benefit amount will be more than 75 percent higher than if you begin taking payments at age 62. If your benefit at age 62 is \$1,000, your benefit at age 70 would be more than \$1,750.

In some cases, it makes sense to delay claiming your Social Security benefits even if that means using some of the money you've saved for retirement to meet monthly expenses. For example, if you are 62 and no longer working, it might make sense to use CDs, stocks, bonds, or other investment assets now, in order to collect a larger Social Security benefit later. (Many investments would not increase sufficiently to pay an additional 75 percent over the course of eight years.)

Did you know? If you are married, the lower-earning spouse is guaranteed half what the higher earner would receive at full retirement age. And, if one spouse dies, the widow(er) receives the higher of their own or their spouse's monthly benefit.

One big factor in determining when to claim your Social Security benefits is the state of your health. If you suffer serious health issues you may decide to claim sooner rather than wait, especially if poor health makes it difficult to work. If you're in poor health and unlikely to live as long as the average person, you would likely receive less over your lifetime if you claim later.

Of course, many people in poor health still outlive the average person. Odds are, your best move is usually to wait to claim your benefits. And most investments to improve your health — exercise more, eat well-balanced meals, etc. — are always good ideas.

A final caveat: If you read the headlines about Social Security's money problems and the government's options for fixing them, don't use that as a reason to claim benefits early. Even if the full retirement age is raised or other measures are taken to fix the Social Security budget, you would still profit the most from waiting as long as feasible before claiming your benefits.

To learn more, visit the Social Security website (www.socialsecurity.gov) or this University of Wisconsin-Extension site: <http://fyi.uwex.edu/financialseries/2010/11/04/understanding-social-security-insurance-programs/>.