

Social Security 101: Making the most of your benefits



We all dream of a secure, comfortable retirement. Today, because we are living longer, we can expect to spend more time in retirement than our parents or grandparents did. That's why it's more important than ever to plan for your financial future now, to ensure you have the security needed in your golden years.

It's never too late to learn how to make the most of your Social Security benefits. Over the years, there have been changes that affect all of us.

Did you know?

The maximum Social Security benefit for workers retiring at the age at which you are eligible to receive full benefits, known as the full retirement age (FRA), in 2020 is \$3,011. For comparison, the maximum benefit for those who wait until they are 70 to receive benefits is \$3,790 (26% higher).

If you feel like it will be difficult to wait, you're not alone. Even though most people would probably be better off delaying benefits, more than two-thirds of eligible workers take early Social Security.

What does this mean to me?

Although you are eligible to begin taking your Social Security benefits as early as age 62, it may not be a sensible choice. The FRA used to be 65, but that changed in 2002. Now that people are living longer, the FRA is based on a sliding scale for those born after 1938. For

example, if you were born in 1938 or later, your FRA is some point after age 65 and increases to 67 for those born after 1959.

| Year Born | Full Retirement Age |
|-----------------|---------------------|
| 1937 or earlier | 65 |
| 1938 | 65 and 2 months |
| 1939 | 65 and 4 months |
| 1940 | 65 and 6 months |
| 1941 | 65 and 8 months |
| 1942 | 65 and 10 months |
| 1943—1954 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960 or later | 67 |

Taking the money early may seem like a great option, but it means you will receive a lower monthly payment for the rest of your life. If you choose to begin receiving your

Social Security benefits at age 62 and your FRA is 66, your benefit will be permanently reduced by up to 25%.

On the contrary, if you postpone taking your benefits until age 70, your benefit increases by 32% (8% a year).

To determine what your monthly Social Security benefit will be at age 62, at FRA and at age 70, use the Social Security Benefits Planner at www.socialsecurity.gov/planners.

Things to Consider

It's tempting to take your money earlier, but before you decide consider the following:

- **Your financial situation.** If you plan to retire early and have adequate savings through a 401(k), pension or other investments, you can be flexible with your Social Security withdrawal strategy.

On the other hand, if Social Security is your main source of retirement income, you may wish to consider working longer and delaying your withdrawal in order to obtain a higher benefit.

- **Your personal retirement strategy.** Everyone's situation is different. It's important to understand how your earnings, retirement age, life expectancy and other factors will impact your retirement planning. In short, if you are in good health and have alternative income resources, it's probably best to wait as long as possible to take your benefit (up to age 70).

Next steps

There are steps you can take now to be proactive in your planning:

- Review your budget to understand how much you spend
- Estimate income sources in retirement (i.e., social security, pension, investments, work, etc.)
- Visit www.socialsecurity.gov/planners to create an online account and assess your Social Security benefits.

This information was developed as general information to educate plan administrators and participants and is not intended as authoritative guidance or tax, legal or investment advice. Each plan and participant has unique circumstances, and we recommend consulting with your attorney, tax advisor, or investment advisor for guidance on your specific situation. Information provided by Advicent Solutions. All rights reserved.