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## Best Age to Start Claiming Social Security? It's Really a Gamble

Its a hard question to answer, but one more question to ask yourself: When do you expect to die?

By **Andrew Rice** | June 29, 2016

All you have to do is Google the phrase "When is the best age to take Social Security?" and you'll get endless advice from people all over on the perfect timing for taking Social Security. Even though not one single advice-giver knows anything about you!

As a financial advisor who plans for people every day, it isn't really that easy a decision; nor is there an exact science to follow, because every individual's situation is different. For example, all of these questions – and more – can factor into the decision on timing:

- Are you married?
- How much older or younger is your spouse?
- Is your Social Security higher or lower than your spouse's?
- Are you still working or are you retired?
- Do you plan to work while you're retired?
- Do you need the Social Security income?
- How healthy are you?
- What is the short-term effect of taking it at 62, and what are the long-term effects of waiting?
- Do you like to gamble? (I'll explain that shortly)

To start, full Social Security benefits are as follows:

Age to Receive Full Social Security Benefits	
Year of Birth	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 and later	67

Source: SSA.gov

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In order to better discuss the issues, let's assume that our example client is born in 1960. At the current age of 56, the client is not eligible for benefits until age 62 at the earliest, but will not get his/her full benefits until age 67. Let's further assume the client's historic earnings created a full retirement Social Security benefit of \$2,500/month at the age of 67. Therefore, the details below represent his/her Social Security income breakdown, depending on the age at which they start taking SSI:

Monthly Income by Retirement Age	
Age 62 = 30% reduction for life	~\$1,750/month
Age 63 = 25% reduction for life	~\$1,875/month
Age 64 = 20% reduction for life	~\$2,000/month
Age 65 = 13.3% reduction for life	~\$2,167/month
Age 66 = 6.7% reduction for life	~\$2,332/month
Age 67 Full Retirement Benefits	~\$2,500/month

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As seen above, taking Social Security at age 62 triggers a life-long monthly reduction of 30%, as compared to taking it at age 67. However, starting at age 62 gives the client five full years of income, versus starting at age 67. Also, there is a clawback of early Social Security taken if the client is still working and earning FICA wages of more than \$15,720 (for 2016). Any excess overage would reduce Social Security by \$1 for every \$3 earned above the \$15,720.

The chart below shows the life expectancy age-breakeven points for starting Social Security early, as compared to waiting until full retirement age, in terms of total dollars received, assuming full benefits of \$2,500 a month for retiring at 67 are received.

Social Security Breakeven/Losing Analysis						
Age	Total SSI Starting at 62	Total SSI Starting at 63	Total SSI Starting at 64	Total SSI Starting at 65	Total SSI Starting at 66	Total SSI Starting at 67
62	\$21,000					
63	\$42,000	\$22,500				
64	\$63,000	\$45,000	\$24,000			
65	\$84,000	\$67,500	\$48,000	\$26,004		
66	\$105,000	\$90,000	\$72,000	\$52,008	\$27,984	
67	\$126,000	\$112,500	\$96,000	\$78,012	\$55,968	\$30,000
68	\$147,000	\$135,000	\$120,000	\$104,016	\$83,952	\$60,000
69	\$168,000	\$157,500	\$144,000	\$130,020	\$111,936	\$90,000
70	\$189,000	\$180,000	\$168,000	\$156,024	\$139,920	\$120,000
71	\$210,000	\$202,500	\$192,000	\$182,028	\$167,904	\$150,000
72	\$231,000	\$225,000	\$216,000	\$208,032	\$195,888	\$180,000
73	\$252,000	\$247,500	\$240,000	\$234,036	\$223,872	\$210,000
74	\$273,000	\$270,000	\$264,000	\$260,040	\$251,856	\$240,000
75	\$294,000	\$292,500	\$288,000	\$286,044	\$279,840	\$270,000
76	\$315,000	\$315,000	\$312,000	\$312,048	\$307,824	\$300,000
77	\$336,000	\$337,500	\$336,000	\$338,052	\$335,808	\$330,000
78	\$357,000	\$360,000	\$360,000	\$364,056	\$363,792	\$360,000
79	\$378,000	\$382,500	\$384,000	\$390,060	\$391,776	\$390,000
80	\$399,000	\$405,000	\$408,000	\$416,064	\$419,760	\$420,000
81	\$420,000	\$427,500	\$432,000	\$442,068	\$447,744	\$450,000
82	\$441,000	\$450,000	\$456,000	\$468,072	\$475,728	\$480,000

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As you can see above, starting Social Security at age 62 or 63 (green above) usually means you have to live at least to age 77 until you will start losing money (in total dollars received), as compared to waiting until your full retirement age of 67 (green above) in this example. And so on with each age, such as age 64 (blue above), or age 65 (orange above), or age 65 (purple above), all shown in color code comparisons, against waiting till age 67 for starting Social Security. The far left age column provides the breakeven point of the comparison for when each option would start losing total money by starting early, versus waiting till age 67.

As mentioned previously, this choice is complex and definitely different for everyone, depending on their individual situation. Yet, no matter the choices made, this decision is inevitably a gamble. If you take SSI at 62 and pass away before age 77 – you win (financially, at least.) However, if you take SSI at 62 and live beyond age 77, you actually lose in terms of total dollars received. The flip is also true. If you wait until 67 to start taking SSI and live to be less than 80, you actually lose; but if you take it at 67 and live past 80, you win in total dollars received.

The whole question of when to start taking Social Security really revolves around which “gamble” you want to take. Are you going to gamble on your age and ability to live a long life, or are you going to gamble on the probabilities of getting your money earlier in case you don’t live long enough?

Again, as mentioned above: this decision is complex and there’s no standard answer that easily applies to everyone looking to elect Social Security or retire. At the end of the day, it’s a “gamble of a lifetime” for everyone choosing, as no one knows if they’ll live longer or fall short of the above noted breakeven point in total dollars received. Here’s hoping we all make the right decision.

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