

Should You Apply for Social Security Now or Later?

When should you apply for benefits? Consider a few factors first.

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Now or later? When it comes to the question of Social Security income, the choice looms large. Should you apply now to get earlier payments? Or wait for a few years to get larger checks?

Consider what you know (and don't know). You know how much retirement money you have; you may have a clear projection of retirement income from other potential sources. Other factors aren't as foreseeable. You don't know exactly how long you will live, so you can't predict your lifetime Social Security payout. You may even end up returning to work again.

When are you eligible to receive full benefits? The answer may be found online at socialsecurity.gov/retire2/agereduction.htm.

How much smaller will your check be if you start receiving benefits at 62? The answer varies. As an example, let's take someone born in 1955. For this baby boomer, the full retirement age is 66 years and 2 months. If that boomer decides to retire in 2017 at 62, his or her monthly Social Security benefit will be reduced about 26%. That boomer's spouse would see a 30% reduction in monthly benefits.^{1,2}

Should that boomer elect to work past full retirement age, his or her benefit checks will increase by 8.0% for every additional full year spent in the workforce. So, it really may pay to work longer.²

Remember the earnings limit. Let's put our hypothetical baby boomer through another example. Our boomer decides to apply for Social Security at age 62 in 2017, yet stays in the workforce. If he/she earns more than \$16,920 in 2017, the Social Security Administration will withhold \$1 of every \$2 earned over that amount.³

How does the SSA define "income"? If you work for yourself, the SSA considers your net earnings from self-employment to be your income. If you work for an employer, your wages equal your earned income.³

Please note that the SSA does not count investment earnings, interest, pensions, annuity income, and government or military retirement benefits toward the current \$16,920 earnings limit.³

Some fine print worth noticing. If you are self-employed, did you know that the SSA may define you as retired even if you aren't? (This amounts to the SSA giving you a break.)

For example, if you are eligible to receive Social Security benefits in 2017, yet remain under full retirement age for the whole year, the SSA will consider you "retired" if a) you work 45 hours or

less per month at your business or work between 15-45 hours a month at a business in a highly skilled occupation, b) your monthly earnings from such self-employment are \$1,410 or less.⁴

Here's the upside of all that: if you meet the two tests mentioned in the preceding paragraph, you are eligible to receive a full Social Security payment for any whole month of 2017 in which you are "retired" under these definitions. You can receive that monthly payment no matter what your earnings total for 2017.⁴

Learn more at socialsecurity.gov. The SSA website is information packed and user friendly. One last, little reminder: if you don't sign up for Social Security at your full retirement age, make sure that you at least sign up for Medicare at age 65.

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Citations.

- 1 - blog.ssa.gov/2017-brings-new-changes-to-full-retirement-age/ [1/6/17]
- 2 - fool.com/retirement/general/2016/04/25/3-facts-you-need-to-know-about-social-security-spo.aspx [4/25/16]
- 3 - ssa.gov/planners/retire/whileworking2.html [4/12/17]
- 4 - ssa.gov/planners/retire/rule.html [4/12/17]

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