



82 = The Answer

TO THE BIG SOCIAL SECURITY QUESTION

A big decision is looming for those of you who have not yet started drawing your Social Security checks: **Should I start taking my Social Security at age 66? Or should I wait until age 70?** In this article, I'll review the simple math of this decision. There are other things you may want to consider besides the math, such as your need for income at age 66 or not believing the Social Security system will still be able to pay by the time you're 70. But here we'll just crunch the numbers.

Age 66 is known, in Social Security parlance, as Full Retirement Age (FRA) for those of you born from 1943 to 1954. If you were born from 1955 to 1959, FRA ranges between 66 and 67, and if you were born in 1960 or later, it's 67. Once you hit FRA, you're entitled to your "full" monthly check. Let's say, for ease of calculation, that your FRA payment is \$1,000 per month.

Each year you delay starting to get paid, the amount rises 8%. So, if your FRA is 66 and you were to start at age 67, you'd get 8% more or \$1,080 per month. Age 68: \$1,160. Age 69: \$1,240. And at age 70: \$1,320. The amount stays the same beyond age 70.

If you delay your start date from age 66 to age 70:

1. You forego 4 years of payments at \$1,000 per month, and
2. At age 70 you begin to get paid \$1,320 per month for the rest of your life. For ease of calculating, let's just say this amount is 1/3 more than the \$1,000.
3. Here's the key: Each year that you get the 1/3 more, you're making up for 1/3 of a year that was forgone.
4. Which means that in 12 years – **at age 82** – you will have fully made up for the 4 years you skipped.

And from then on, you're making 1/3 more than you would have had you started at age 66.

Again, there are other considerations besides the math. But from a pure math standpoint, the "Age 66 or 70" question boils down to longevity. **If you believe you'll live past 82, the math favors waiting until age 70.**

By the way, for those of you turning 62 in 2018, you may be considering starting your payments **before** FRA. In our example where the FRA payment was \$1,000 per month, you could take an early retirement check of \$733 starting at age 62 (reflecting

a discount of about 6% per year). And without boring you with all the math, you probably wouldn't be surprised to learn that it's roughly the same 12 years to break even. In other words, if you continue to draw payments 12 years after age 66 = age 78, you would have been better off **not** taking the reduced early retirement amount and waiting until age 66.

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