

## When To Claim Your Social Security Benefit!

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More than half of Americans claim Social Security retirement benefits at age 62, the earliest allowed. It is my view; the spouse with the larger benefit should delay as long as possible up to age 70. The longer you wait, the bigger your monthly Social Security check.

Analysis will show that your net present value of all benefits will be greater if the higher benefit spouse waits until age 70. Why? First if your draw benefits at age 62, with a normal retirement age of 66, your benefit will be reduced by 25%, for as long as you live. While if you wait until you are age 70, your benefit will be increased by 32%; a 76% increase for waiting. Furthermore the disparity will grow each year in real dollar terms because the "cost of living increase" will on a larger amount. This pays off because of obscure Social Security rules and some facts about life expectancy that aren't obvious if you don't make your living as an actuary.

But what if you die early? Then it goes to your spouse; a married couple gets a special deal, if one dies, the survivor can take the deceased spouse's benefit if larger and drop his or her own.

Part of the reason is joint mortality. A 66 year old male has a life expectancy of 85, That roughly means there's a 50% chance he'll live that long. The wife's life expectancy will be 88 years. But there's a 50% chance one spouse will die before 85 and a 50% chance the second will hold on until 92. Money Guide Pro calculates these rates based on non-smoking longevity. So, in effect, a smaller benefit spouse who takes Social Security at 62 isn't necessarily accepting a smaller payout until 85, but only until one spouse dies. And the bigger check, the larger income spouse waited until 70 to get? That will continue to the surviving spouse and half the time it will keep coming for 22 years or more; 25% of the time that bigger check will continue for 27 additional years.

My calculations show that the breakeven point a same age couple must have one of them living at age 82 to breakeven. The reduction or increase in benefit is based on government statistics which include everyone in the same category. We all know that women have longer life expectancies than men, but that is only one factor. My illustration is based on a same age non smoking couple. If it were a smoking couple the longevity expectations would be greatly reduced, but health, income, exercise and other lifestyle factors also have positive or negative impacts on the numbers.

When to start taking Social Security benefits is a unique decision for each person or couple, and each of us must weigh our individual situations. We don't know when we will pass from this world, but my take on Social Security is. Longevity has increased and will continue to increase; therefore waiting to draw the benefits for the larger benefit spouse is a form of longevity insurance.

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**Charles Buck CFP®**

**"Thrift comes too late when you find it at the bottom of your purse."**

**Seneca**

### **ASK A CFP® PROFESSIONAL!**

When should I start savings for my child's college?

The earlier you start saving the more time your money has to grow. The cost of college is around \$15,000 per year for a public college. This amount could grow to \$50,000 over the next 18 years at current rates. Today the best program is usually a 529 plan which provides tax deferred growth, and tax free withdrawal when used for education expenses.

Find a plan that contains low cost investment options coupled with low administrative expenses. The best in my opinion is the Utah plan; it offers Vanguard Index Funds and only charges \$25 per year for the account.

Start now and let time help you achieve your goal. One caveat, don't neglect your own retirement plans. You can borrow money for college, but not for retirement.