When To Begin Collecting Social Security Benefits

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Year of Birth	Full Retirement Benefit Reduced By
1937 or earlier	20%
1938—1942	21%—24%*
1943—1954	25%
1955 —1959	26%—29%*
1960 and later	30%

* SSA uses a graduated benefit reduction depending on the actual year of birth.

Year of Birth	Annual Benefit Increase For Delayed Retirement
1933—1934	5.5%
1935—1936	6.0%
1937—1938	6.5%
1939 —1940	7.0%
1941—1942	7.5%
1943 and later	8.0%

As indicated in the tables above, someone who was born in 1960 would suffer a permanent 30% reduction in benefits by retiring at 62 rather than their full retirement age of 67. Of course, you could begin collecting after 62 but before your full retirement age, though for simplicity we have only provided data if retirement occurs at 62.

COLLECT BENEFITS EARLY?

Whether to begin collecting Social Security benefits prior to your full retirement age depends upon your circumstances. You may want to collect early if:

1. Without your Social Security benefit you are unable to cover your living expenses.

2. You are in poor health or do not expect to reach your normal life expectancy based on family history or other factors.

SSA provides a "Break-Even Age" calculator on its Web site (www.socialsecurity.gov) to assist you in determining at what age the accumulated value of receiving lower benefits early is surpassed by the accumulated value of receiving higher benefits later. If you expect to live beyond the "break-even age", then it would be to your economic advantage to delay your retirement until at least your full retirement age.

COLLECT BENEFITS LATE?

If you delay collecting your benefits until after your full retirement age, you will be eligible for delayed retirement credits that increase your normal benefit. However, note that no credits are earned for delaying retirement past age 70.

Aside from the Social Security system's projected long-term financial stress, and the likelihood that either benefits will be reduced and/or taxes will be increased in the future to strengthen the system, the decision of when to begin collecting your Social Security benefits should be based on your particular circumstances. Remember that Medicare will not cover you, under most circumstances, until you reach age 65. Consequently, retiring prior to 65 may leave you without health care insurance unless you maintain coverage under your employer's plan or you have coverage through a spouse's policy.

Did You Know...The Cost Of Long-Term Care Insurance

Depending upon a client's specific circumstances, we often recommend long-term care insurance to help offset the potential cost of care at home or in a skilled care facility. The cost of a nursing home can run in excess of $100,000 annually and can quickly deplete your savings. Normally such costs are not incorporated into a retirement plan; consequently, a lengthy nursing home stay can leave you with insufficient assets for your retirement. Long-term care insurance can offset a portion of these costs.

Clients often ask how much such insurance costs. While premiums vary based on the initial age of the insured and the extent of the coverage, a survey released recently by the American Association for Long-Term Care Insurance provides some guidance. For example, the annual premium for a basic level of coverage for a 55-year-old with a $150 daily benefit averages $1,027,[1] while the annual premium for similar coverage, but with a $240 daily benefit, averages $4,823 for a 65-year-old.[2]

[1] This premium assumes a maximum 3-year benefit period for an individual who qualifies for preferred health and spousal discounts. It also includes an inflation rider of 5% compounded annually.
[2] This premium assumes a maximum 3-year benefit period for a single individual with standard health. It also includes an inflation rider of 5% compounded annually.

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