RAYMOND JAMES

3 strategies to maximize your Social Security benefits

In recent years, many factors have changed the way people think about and plan for retirement. With pensions quickly becoming a thing of the past, most of us are largely responsible for our own retirement. Employer-sponsored retirement plans and individual retirement accounts (IRAs) are essential planning tools – and Social Security benefits are an important complement to any retirement plan. Your choice of when and how to start collecting your benefits can affect your retirement income for years into the future.

While no single age or method is appropriate for everyone when it comes to claiming Social Security benefits, some withdrawal strategies can optimize your benefits, boosting your income in retirement and potentially reducing the risk of outliving your savings.

1. DELAY CLAIMING BENEFITS

Full retirement age (FRA) is the age at which you're eligible to receive your full amount of Social Security benefits. FRA is different for everyone, as it's based on your day and year of birth. For anyone born after 1960, FRA is currently 67.

Certain circumstances may require you to sign up for Social Security before reaching FRA. For example, you may need the extra income to offset expenses, or your declining health may require you to stop working sooner than anticipated. Unfortunately, if your FRA is 67 and you choose to start receiving your retirement benefits at age 62 – the earliest age you're eligible to collect Social Security – your monthly benefit amount may be reduced by as much as 30%.

Today, the average life expectancy in America is **76 years**, eight years longer than the average life span in 1950.[1] As we're generally living longer, our retirement income may need to last longer than in previous generations.

This percentage decreases each year until you reach full retirement age, at which point you're entitled to full, or unreduced, benefits. But, if you can delay signing up for Social Security until after your FRA, you'll earn delayed retirement credits that increase your monthly benefit amount each year until you turn 70, which is the age you're eligible to receive your largest benefit. In other words, the longer you can wait to start collecting your Social Security benefits, the bigger the monthly benefit.

[1] ourworldindata.org/life-expectancy

2. TAKE ADVANTAGE OF SPOUSAL BENEFITS

If you're married and your spouse has earned a larger Social Security benefit than you can claim on your own record, you're entitled to receive a spousal benefit based on your spouse's earnings without changing the amount they receive. Ex-spouses can also collect benefits based on the higher earner's record if you were married for at least 10 years and have not remarried. In addition, widows and widowers can collect 100% of the higher earner's benefits instead of their own.

You can claim a spousal benefit as early as age 62 if your spouse has already filed for Social Security. If you're divorced, your ex-spouse only needs to be eligible to file for Social Security. Spousal benefits allow you to collect 50% of your spouse's benefit amount as calculated at their full retirement age. If you file before you reach FRA, your benefit is reduced based on how far you are from full retirement.

Some married couples find it beneficial for the spouse with the lower earnings record to file for Social Security first on his or her own record and delay collecting the higher earner's benefits for as long as possible. However, this strategy may not be right for everyone, so it's important to consult your financial advisor to determine the strategy that works best for you.

3. AVOID FILING DURING HIGH-INCOME YEARS

You can file for Social Security while you're still working, if you want. However, if you haven't reached FRA yet and your earnings exceed the yearly limit – in 2023 the limit is $21,240 – your benefits will be reduced. Once you reach FRA, you're entitled to full benefits with no limit on your earnings.

It's important to remember that you'll likely have to pay taxes on your Social Security benefits if you have other sources of income. For the highest earners, up to 85% of Social Security benefits may be taxable. Delaying your benefits until after you've stopped working may allow you to keep a larger portion of your Social Security income, especially if you haven't reached FRA.

CONCLUSION

WEIGH YOUR OPTIONS AND CONSULT A FINANCIAL PROFESSIONAL

How and when you choose to collect Social Security benefits ultimately depends on your financial circumstances, as well as other factors such as family dynamics, health, longevity expectations and personal retirement savings. Because there are many nuances to claiming Social Security and guidelines can change, it's important to discuss these strategies with your financial advisor and consider them within the context of your overall retirement plan.

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