

# Your Social Security Income Can Make or Break Your Plan – Don't Mess It Up

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**There are hundreds of claiming strategies for Social Security benefits, so do your research before you make your move.**

The rules and strategies for how and when to claim Social Security benefits are so complex that many an uninformed and/or overeager retiree has lost thousands of dollars – even tens of thousands – by making the wrong choice.

According to the Social Security Administration, nearly nine out of 10 individuals 65 and up receive Social Security benefits – and for many, it is their major source of income. So, clearly, the decisions you make about claiming Social Security retirement benefits are probably some of the most important financial moves you will ever make.

Here are some common mistakes to avoid:

## **DON'T CLAIM TOO EARLY ... OR TOO LATE.**

The earliest you can file for benefits is age 62; the latest is age 70 (well, technically, you can claim later than that, but your benefit won't grow anymore, so there's no reason to wait beyond then). Your full retirement age is somewhere in the middle, based on your birthdate.

Most Americans still file at 62, but if you can, it pays to wait. If you file before your full retirement age, your benefit could be permanently reduced by up to 30%. And if you can wait until you're 70, the government has incentives for you: credits that come out to about an 8% increase per year. (Where else are you going to find an 8% return on your investment?)

Of course, there are reasons to claim sooner: If you have health concerns, for example, or if you think you'll need the money more in early retirement than when you're older.

## **DON'T IGNORE YOUR SPOUSAL OR SURVIVOR BENEFITS.**

There have been a lot of changes to spousal benefits in the past couple of years, so make sure the information on which you're basing your decisions is up to date. There used to be some lovely tactics the program allowed, including the popular "file and suspend" strategy that was lost when Congress tightened things up with the Bipartisan Budget Act of 2015.

One opportunity that remains in place, at least for retirees born before Jan. 2, 1954, is to file a "restricted application." With this strategy, a spouse at full retirement age claims half of the other spouse's benefit, if the latter has filed for Social Security. Then, at age 70, the spouse who filed the restricted application switches over to his or her own benefit, which has grown to its maximum in the meantime, thanks to delayed retirement credits.

As with standard Social Security retirement benefits, you can collect a spousal benefit as early as age 62, as long as your spouse is collecting his or her own benefit. However, your spousal benefit also can be permanently reduced if you claim it before your full retirement age (based on your birthdate). Most strategies for married couples require one or both spouses to delay claiming benefits for as long as possible.

If you are a widow or widower, you may take your survivor's benefit at age 60 (not 62, as many believe). Then, at age 70, you can switch to your own benefit (based on your work record) if it's higher.

If you're divorced, you may be able to get a benefit based on your ex-spouse's work record. To qualify, you must be at least 62, have been married for at least 10 years and be currently unwed. If you've been divorced for at least two years, your ex doesn't need to have filed for Social Security for you to claim this benefit.

### **COLLECTING BENEFITS WHILE YOU'RE STILL WORKING PROBABLY ISN'T A GOOD IDEA.**

If you collect benefits before your full retirement age and earn too much while still working (\$16,920 in 2017), your benefits will be reduced by \$1 for every \$2 you earn over the limit.

If you do have payments taken away, however, you'll get credit for those months when you reach full retirement age.

If you change your mind about starting your Social Security retirement benefits, you may be able to withdraw your claim and reapply at a future date — as long as you do it within 12 months. Just remember: You'll have to repay all the benefits you and your family already received.

### **DON'T UNDERESTIMATE THE AMOUNT YOU COULD BE TAXED ON YOUR BENEFITS.**

Many people are surprised to learn they have to pay taxes on Social Security. But if your combined income (married filing jointly) is between \$32,000 and \$44,000, up to 50% of your benefits could be taxable. If your combined income is more than \$44,000, that amount goes up to 85%. A higher income also might affect your Medicare benefits.

You may wish to delay taking your benefits until you've used up some of your other taxable income sources. And speak with your adviser about how you could lower your tax burden with different types of investments, such as a Roth IRA, fixed annuity or municipal bonds.

There are more than 500 claiming options for Social Security — and endless ways to get it wrong. And guess what? The folks down at your local Social Security office can give you information about your benefits, but not one bit of advice about when to take them.

A financial adviser who is a retirement specialist can help you get it right by walking you through the possibilities and explaining what each one means specifically to your income plan. Understanding those various scenarios will help you decide what makes the most sense for you.

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