



APPLY FOR SOCIAL SECURITY NOW ... OR LATER?

When should you apply for benefits? Consider a few factors first.

Provided by Kristen L. Chirhart, Boom Planning

Now or later? When it comes to the question of Social Security income, the choice looms large. Should you apply now to get earlier payments? Or wait for a few years to get larger checks?

Consider what you know (and don't know). You know how much retirement money you have; you may have a clear projection of retirement income from other potential sources. Other factors aren't as foreseeable. You don't know exactly how long you will live, so you can't predict your lifetime Social Security payout. You may even end up returning to work again.

When are you eligible to receive full benefits? The answer may be found online at socialsecurity.gov/retire2/agereduction.htm.

How much smaller will your check be if you apply at 62? The answer varies. As an example, let's take someone born in 1949. For this baby boomer, the full retirement age is 66. If that 61-year-old baby boomer decides to retire in 2011 at 62, his/her monthly Social Security benefit will be reduced 25%. That boomer's spouse would see a 30% reduction in monthly benefits.¹

Should that boomer elect to work past full retirement age, his/her benefit checks will increase by 8.0% for every additional full year spent in the workforce. (To be precise, benefits increase by .67% for every month worked past full retirement age.)² So it really may pay to work longer.

Remember the earnings limit. Let's put our hypothetical 61-year-old baby boomer through another example. Our boomer decides to apply for Social Security at age 62 in 2011, yet stays in the workforce. If he/she earns more than \$14,160 in 2011, the Social Security Administration will withhold \$1 of every \$2 earned over that amount. \$14,160 is the 2011 earnings limit, unchanged from 2010.³

The earnings cap disappears at full retirement age (66 in this case). If our boomer keeps working past 66, he or she may keep 100% of Social Security benefits regardless of earned income level.³

How does the SSA define "income"? If you work for yourself, the SSA considers your net earnings from self-employment to be your income. If you work for an employer, your wages equal your earned income. (Different rules apply for those who get Social Security disability benefits or Supplemental Security Income checks.)⁴

Please note that the SSA does not count investment earnings, interest, pensions, annuities and capital gains toward the current \$14,160 earnings limit.⁴

Some fine print worth noticing. If you reach full retirement age in 2011, then the SSA will deduct \$1 from your benefits for each \$3 you earn above \$37,680 in the months preceding the month you reach full retirement age.⁴ So if you hit full retirement age early in 2011, you are less likely to be hit with this withholding.

Did you know that the SSA may define you as retired even if you aren't? This actually amounts to the SSA giving you a break. In 2011 - assuming you are eligible for Social Security benefits - the SSA will consider you "retired" if a) you are under full retirement age for the entire year and b) your monthly earnings are \$1,180 or less. If you are self-employed, eligible to receive benefits and under full retirement age for the entire year, the SSA generally considers you "retired" if you work less than 15 hours a week at your business.^{2,4}

Here's the upside of all that: if you meet the tests mentioned in the preceding paragraph, you are eligible to receive a full Social Security check for any whole month of 2011 in which you are "retired" under these definitions. You can receive that check no matter what your earnings come to for all of 2011.⁴

Learn more at socialsecurity.gov. The SSA website is packed with information and user-friendly. One last little reminder: if you don't sign up for Social Security at full retirement age, make sure that you at least sign up for Medicare at age 65.

Kristen Chirhart is an Investment Advisor Representative. Securities and Investment Advisory services sold through Ameritas Investment Corp. (AIC) Member FINRA/SIPC. AIC and Boom Planning are not affiliated. Kristen Chirhart may be reached at (415) 364-0226 or kchirhart@boomplanning.com. CA Insurance License #0G16691.

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Citations

1 – socialsecurity.gov/retire2/agereduction.htm [7/11/10]

2 – socialsecurity.gov/retire2/delayret.htm [8/16/10]

3 – ssa.gov/pressoffice/colafacts.htm [10/21/10]

4 – ssa.gov/pubs/10069.html [1/10]