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## **TO TAKE OR NOT TO TAKE - SOCIAL SECURITY**

**The common wisdom for accepting Social Security benefits at age 62, the first year of eligibility (widows @ age 60), is to go for the gold. But the decision to take benefits should not be based upon an automatic assumption that early benefits are right for everyone. It may make more financial sense for many retirees to delay acceptance to "full benefit" eligibility.**

**Many retirees are aware that benefits increase if they accept Social Security payments at a later date other than at age 62, but few understand the ramifications. If you were born in year 1937 or earlier, you are eligible for full benefits at age 65. Age 62 benefits are reduced 20 percent for these retirees.**

**Those retirees born between 1938 and 1959 receive full benefits at monthly intervals between ages 65 and 67. The financial issue for these folks, therefore, is that the reduction at age 62 is even greater than 20 percent. For example, someone born in 1948 would receive (approximately) a 25 percent reduction in his or her age 62 benefit, since their "full benefit" age would be 66, not 65.**

**Several concerns come into play if benefits are delayed to a later age.**

**Certainly, if full time employment is an issue, then, no benefits should be taken, at least until age 65, when eligible benefits can be received without any reduction for earned income. Between ages 62 and 65, \$1 of benefits is reduced for every \$2 earned.**

**Inflation and portfolio rates of return also enter into the calculation. Assuming an inflation rate of 3 percent and a CD bank rate of 3 percent, real return after inflation is zero. In this situation, taking the reduced benefit amount at age 62 may not offer the best long-term solution, unless your family genealogy or health history suggests you may not attain your expected longevity at age 78.**

**Of course, that's the million-dollar question no one can answer. It is likely the reason over 50 percent of eligible retirees take the reduced benefit at age 62. It's the "take the money and run" theory, which is hard to argue, especially for those who are in need.**

**Ironically, it does make sense to take the early benefit for those retirees with substantial portfolio returns at their disposal, since it reduces the need to withdraw from their portfolio. Using Social Security money at an estimated lifetime rate of return (ROR) of 2 percent, rather than their own money, which is earning 8 percent, makes sense, unless they live well past normal longevity.**

**Also for consideration are non-working spouses, who receive only half the working spouse's benefits. A reduction in benefits for the working spouse at age 62 may also penalize the non-working spouse as well.**

**Economic conditions also enter the consideration. In our current bear market environment, many potential retirees have delayed the start of retirement in hope of getting past this economic downturn. This legitimate financial concept also depends upon spending patterns, debt load, and the total amount of retirement income available to the potential retiree.**

**For many people, however, work is not a chore. In many cases, as often times with professionals or business owners, early retirement is not a goal. For those who enjoy their work, the decision is not difficult. For others, the "bird in hand" theory is an opportunity too hard to pass up.**

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