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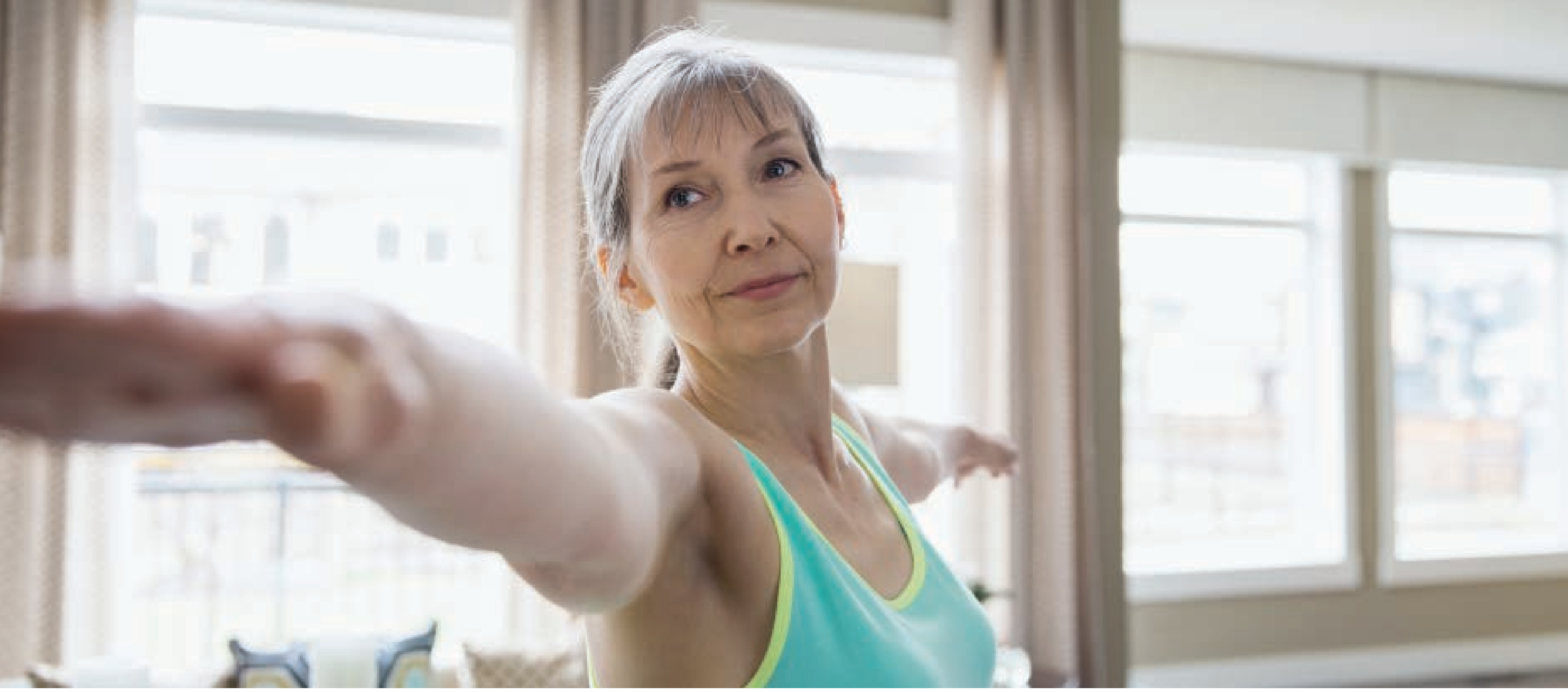
The Social Side of Retirement℠

Social Security filing strategies for single people



If you are single and eligible to receive Social Security retirement benefits, you may be wondering whether there is a "best age" to start collecting those benefits. Almost 71 percent of people who are eligible for Social Security claim their benefits early, before they've reached their full retirement age. But is that the right decision for you? It's definitely worth considering your options.

Deciding when to collect Social Security is one of the most important decisions you will make when planning for retirement. Social Security is one of the few sources of retirement income that is predictable, adjusted periodically for inflation, and guaranteed to last as long as you live.

Collecting benefits before you've reached your full retirement age permanently reduces your monthly benefit amount by up to 30 percent. Over the course of a retirement, which may last 20 to 30 years, that can add up to a significant reduction in overall retirement income.

Of course, there can be good reasons for claiming benefits sooner rather than later; health, family, and financial concerns are all important considerations.

YOUR FULL RETIREMENT AGE[1]

Year of Birth	Full Retirement Age
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

[1] Social Security Administration, "Retirement Planner: Full Retirement Age," www.ssa.gov/planners/retire/retirechart.html.

The rules have changed

Legislation passed in 2015 eliminated certain Social Security filing strategies that were previously available to many people. Although the legislation included a "grandfather" provision protecting anyone who had already used one of these filing strategies or who met specific age requirements, these filing options went away for everyone else. If you were born on or after January 2, 1954, you are not protected under the law's grandfather provisions.

Even if you don't fall into one of the grandfathered groups, you still have important decisions to make. Many variables that can affect your benefits are beyond your control (like longevity). **However, there is one variable over which you have complete control: the age at which you begin collecting your benefits.**

The following example shows how benefit claiming age can affect monthly and cumulative Social Security benefits for a hypothetical single claimant named Michelle.

Meet Michelle

Michelle is healthy, has never been married, and has many relatives who have lived into their nineties. At age 59, she has no immediate plans to retire; however, she is planning ahead for the income she will need when she does stop working.

Michelle was born in 1958, which means her full retirement age is 66 years and 8 months, as shown in the chart on the previous page. Her full retirement age benefit currently is $2,400 monthly.

In this example, we'll compare monthly and cumulative lifetime Social Security benefit amounts for Michelle based on three different strategies:

- Begin collecting benefits at age 62
- Begin collecting benefits at full retirement age (FRA)
- Delay receiving benefits until age 70

It's your Social Security and your decision.

As you review these three scenarios, keep in mind that the focus is only on the difference benefit claiming age can make. There are many other factors that may affect your Social Security retirement benefits and your particular situation may be more complex.

Three filing scenarios

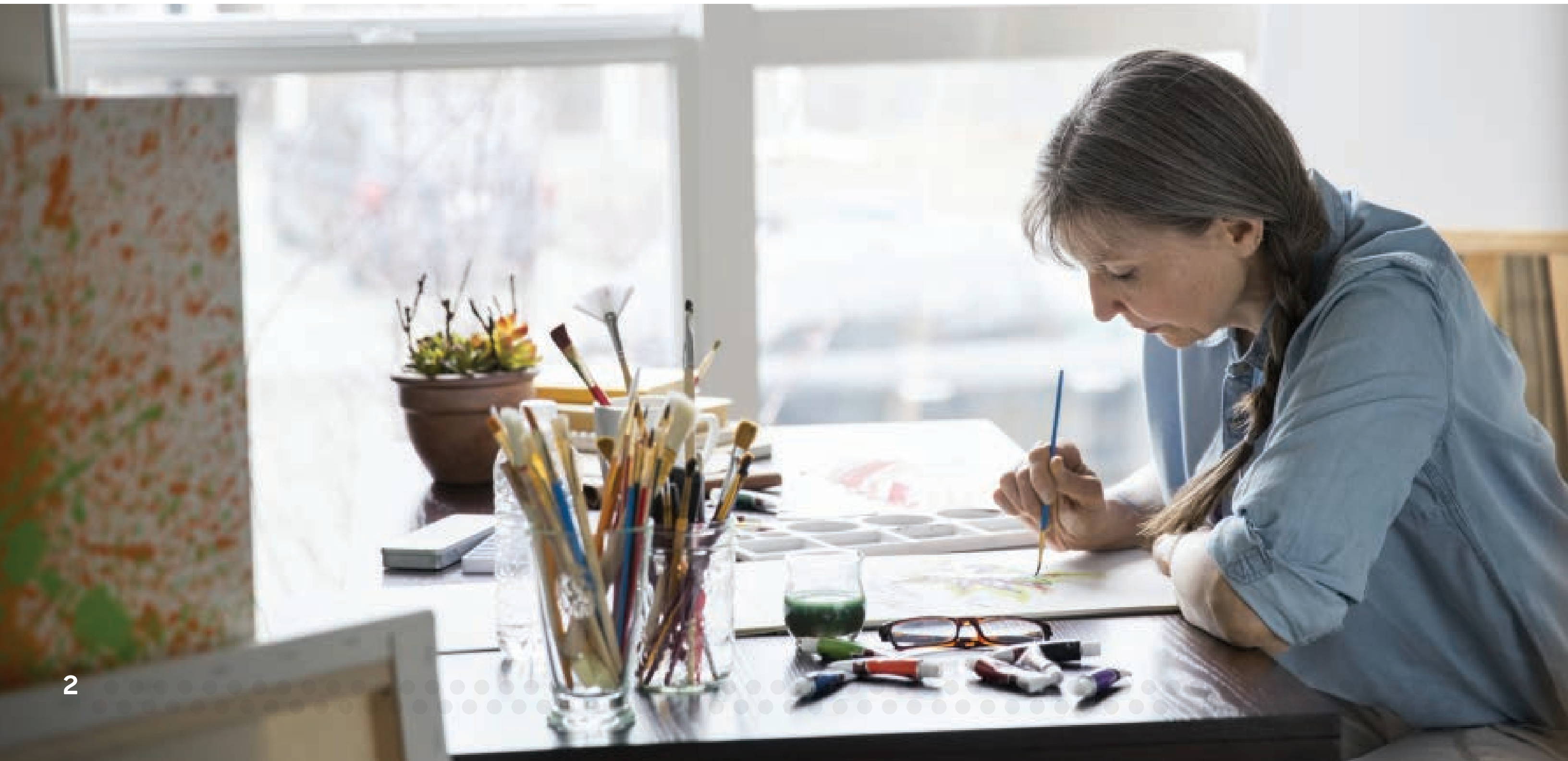
All benefit amounts assume an annual 1.5 percent cost-of-living adjustments (COLAs).*

Assumptions for Michelle

- Date of Birth: June 2, 1958
- FRA: 66 years, eight months
- Monthly FRA benefit in today's dollars: $2,400
- Monthly benefit with annual 1.5% COLAs: $2,664

Social Security Benefit	Monthly Benefit Amounts				Cumulative Lifetime Benefits
	62	66.8	70	85	95
Begin collecting at 62:	**$1,809**	**$1,920**	**$2,038**	**$2,548**	**$914,610**
Begin collecting at FRA:	**$0**	**$2,664**	**$2,827**	**$3,535**	**$1,126,692**
Begin collecting at 70:	**$0**	**$0**	**$3,581**	**$4,477**	**$1,288,315**

* Illustration as of December 2017.



Filing strategy analysis

Filing strategy 1

Begin collecting benefits at age 62. By starting her benefits at age 62, Michelle's full retirement age benefit is reduced to $1,809. Although her benefit is reduced for early filing, Michelle does benefit from annual 1.5 percent COLAs on her benefit between ages 59 and 62. If she lives until age 95, Michelle's cumulative lifetime income from Social Security would be $914,610.

Filing strategy 2

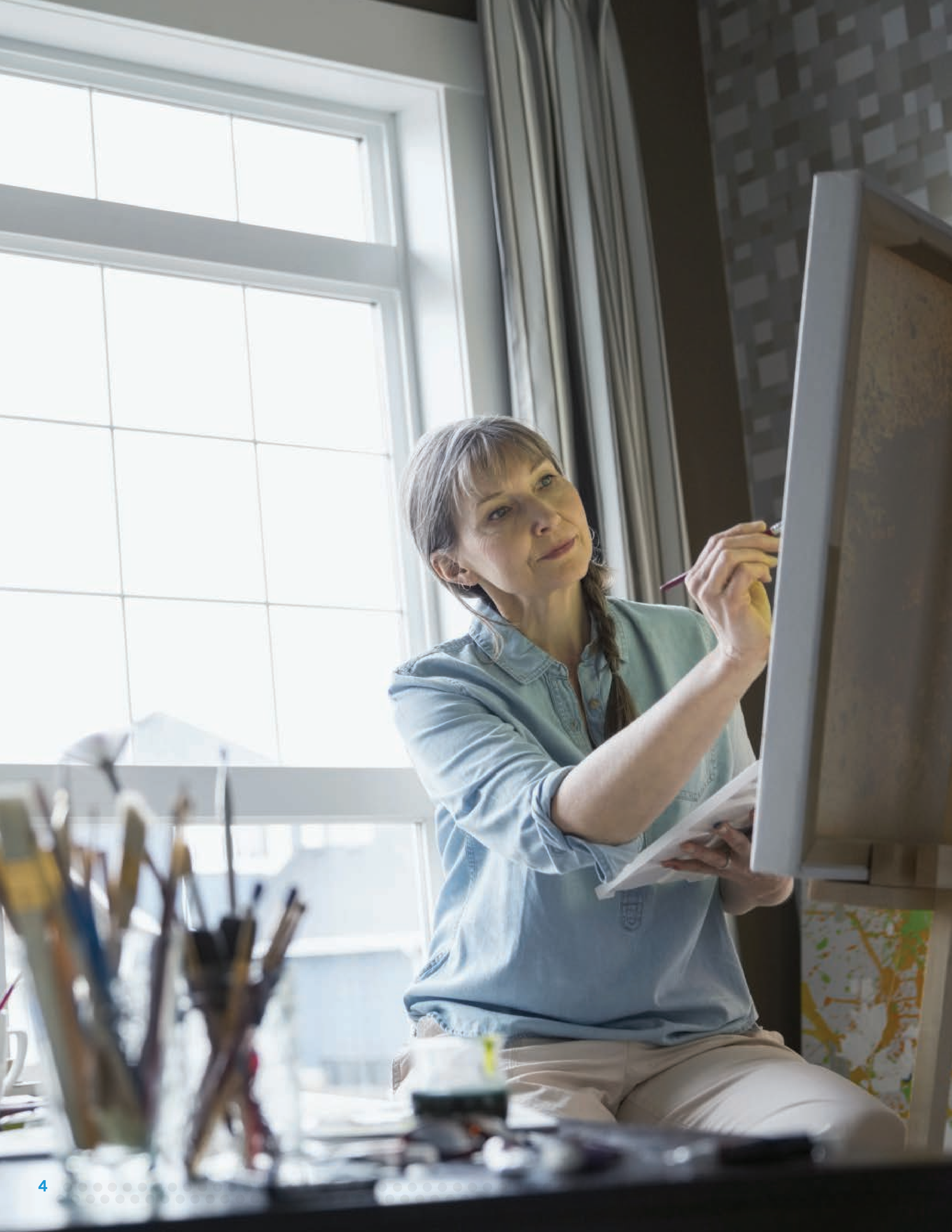
Begin collecting benefits at her full retirement age. Michelle's full retirement age benefit is $2,664 per month, an amount that includes annual 1.5 percent COLAs. This strategy generates $744 more each month than filing strategy 1 provides. If Michelle lives until age 95, her cumulative lifetime Social Security income will be $1,126,692, which is $212,082 more income than strategy 1 provides.

Filing strategy 3

Delay collecting benefits until age 70. Starting at her full retirement age, Michelle earns delayed retirement credits for each month she delays her benefit — up to 8 percent annually.[2] If she delays her benefit, she will have to rely on other sources of income during that time. By age 70, her monthly benefit has increased to $3,581 with delayed retirement credits and annual 1.5 percent COLAs. This is $754 more each month than filing strategy 2 provides, and nearly twice the monthly income that filing strategy 1 provides. With this strategy, Michelle receives $1,288,315 in cumulative lifetime benefits. This is $161,623 more income than filing strategy 2 provides and $373,705 more than filing strategy 1 provides.

Any one of these strategies could be the right choice for Michelle, depending on her health, family, and financial concerns when she retires.

[2] Delayed retirement credits may accrue for each month beyond your full retirement age that you delay receiving your benefit. People who were born in 1943 or later can earn up to 8 percent of their full retirement age benefit each year until they reach age 70. Spousal benefits are not eligible for delayed retirement credits.



Take the guesswork out of your Social Security filing decision.

One of the most important steps you can take is to set up your *my* Social Security account on **www.ssa.gov**. This is an easy and secure way to view your estimated benefits and earnings history. The Social Security Administration will use this information when it calculates your benefit, so be sure that it accurately reflects your work history.

We're here to help

Once you have set up your *my* Social Security account, your financial professional can help you explore different filing strategies. With this information, you will be better able to make an informed Social Security filing decision.

Planning is important!

Even if you cannot use certain filing strategies because of your age, Social Security planning is still important.

For example, suppose your full retirement age is 66 and your monthly benefit at that age is $1,000. If you take that benefit at age 62, it would be reduced to $750.

On the other hand, if you wait until age 70, your monthly benefit would increase to $1,320 with delayed retirement credits — that's a 76 percent increase from your age 62 benefits.

Depending on your personal situation, waiting even one or two years could result in a larger monthly benefit.

For more information or copies of publications, or to set up your *my* Social Security account, visit the Social Security Administration website at www.ssa.gov or call toll free at 1-800-772-1213 (TTY: 1-800-325-0778).

Final decisions about Social Security filing strategies always rest with you and should be based on your specific needs and health considerations. It is important to acquire as much information as possible so that you can make an informed Social Security claiming decision; one year after the Social Security claiming decision is made, options for change are extremely limited.

Some people, such as certain federal, state and local government workers, may be subject to the "Government Pension Offset" and the "Windfall Elimination Provision," which could decrease their Social Security benefits.

If you work for an employer that offers a retirement plan, your plan benefit may be subject to a Social Security "pension offset" provision. (Your 401(k) contributions and the employer match are not subject to a pension offset.) A pension offset may reduce the amount of your retirement plan benefit when you become eligible to collect Social Security retirement benefits. This reduction may apply whether or not you are collecting Social Security retirement benefits. This could be an important consideration as you make your filing decision. Your plan administrator can tell you whether your plan includes a Social Security pension offset provision and how it might affect your retirement plan benefit.

The Social Security program was created by an Act of Congress and is subject to change. In the past, Congress has made changes to the law, which have affected Social Security benefits. Congress can make changes to the law at any time, which might affect benefits in the future.

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