



American Heritage Securities, Inc.

affiliated with EGI Financial, Inc.

SOCIAL SECURITY: Time is Money

As you move from your 50s into your 60s, you will likely begin thinking about when to collect Social Security retirement benefits. You've probably heard the old adage "collect as soon as you can for as long as you can." However, as longevity increases and pensions disappear, collecting early may not be the most optimal, or even the most practical choice.

Deciding when to collect Social Security can be one of most significant retirement planning decisions you will make. That decision will not only define the size of your monthly benefit, it also determines the amount of Social Security income you collect over your lifetime.

Know the Cost to Collecting Too Early

You can begin collecting Social Security as early as age 62—but with a consequence. If you collect at age 62, you are actually locking in a permanent 25% reduction which means you will only collect 75% of the amount you are eligible for at full retirement age—assuming full retirement age of 66. This reduction, or penalty, decreases for each month you wait after age 62 and before you reach full retirement age.

Waiting Can Be Worthwhile

Here's where time can mean money. Your benefits actually increase for every month you wait to begin collecting beyond your full retirement age up until age 70. These monthly increases are called Delayed Retirement Credits and these credits increase your benefits by about 8% per year of the amount you are eligible for at full retirement age. For example, if your full retirement age is 66, waiting until age 70 to collect will boost your individual benefits to 132%. This is the highest your individual benefits will ever get, so there is no reason to wait beyond age 70 to collect your benefits.

Married? Weigh Spousal Benefits in your Decision.

Whether you have worked or not, you will want to consider the advantages of Spousal benefits. The maximum spousal benefits to which any individual could be entitled are equal to 50% of your spouse's monthly benefit s/he is eligible to receive at full retirement age. However, the amount you actually collect will be lower if you collect before your full retirement age.

There are two main ways to collect spousal benefits:

- 1. As your only benefits:** If you are entitled to individual benefits (and have not filed for them) and you are at least full retirement age, you can choose to collect "spouse only" benefits, which are equal to 50% of your spouse's full retirement benefit. You can choose to switch to your own benefits at a later date if it becomes higher than your spousal benefits.
- 2. As an incremental increase to your individual benefits:** If your spouse's benefit at full retirement age is more than twice as high as yours, you are likely eligible for spousal benefits in addition to your own benefits.

Other Considerations before Collecting Social Security

Here are some of the most frequent questions asked about Social Security

1: How does Social Security compute my payment?

First, to be eligible for retirement you need at least 10 years of part-time work (or fewer years for midcareer disability or death). Once eligible, your payment is based on averaging your 35 highest-paid work years (or fewer years for midcareer disability or death).

You get a 100% payment if you first draw at your full retirement age (currently 66 and phasing to 67). As we mentioned above, you get lower payments if you start payments earlier than full retirement age and higher payments if you collect later.

2. What is Full Retirement Age?

Age To Receive Full Social Security Benefits (Called "full retirement age" or "normal retirement age.")	
Year of Birth*	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
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

**If you were born on January 1st of any year, refer to the previous year. If you were born on the 1st of the month, your full retirement age is calculated as if your birthday was in the previous month.*

3: Can I work and still get Social Security?

Yes. If you are older than full retirement age, there is no work limit. You can earn as much as you can and still get full Social Security payments. Before your full retirement age, some of your Social Security is withheld if your earnings exceed the annual earnings threshold, \$15,120 in 2013. Higher limits apply the year you reach your full retirement age. Only employment income counts against Social Security. Pensions, interest, dividends, capital gains, etc are not counted. Remember, your Social Security does not stop when you reach the threshold; that's where partial withholding begins. If you get Social Security disability, different work rules apply.

4: How do I file for Social Security?

You can file by visiting an office, by calling (800) SSA-1213, or online at www.ssa.gov. You can file up to 3 months before you want payments to begin. For planning tools, sign up for an online "My Social Security" account at <http://www.ssa.gov/myaccount/>.

5: When can I enroll in Medicare?

Medicare age is 65. You should file promptly by contacting SSA, preferably 2-3 months early, or risk penalty fees and delayed coverage. If you are covered by health insurance from your or your spouse's current employer, you can postpone Medicare until that insurance or work ends. This must be insurance from current work, not a retiree plan or COBRA. Everyone should contact SSA 3 months before their 65th birthday to make sure their Medicare enrollment is on track.

A Financial Plan is Key

Social Security is good, but the rules can be complex and confusing. Achieving a secure, comfortable retirement is much easier when you plan your finances. Every choice you make has individual nuances and exceptions. We can help you consider all your financial options, including your Social Security choices. Contact your advisor or the office at 330-535-0881.