

22 *NEED TO KNOWS*

Before You Apply For Your Social Security Retirement Benefit

*What you do not know
can cost you tens of thousands
of dollars in benefits.*



This isn't your parents retirement age. For one, people are living longer than ever before. The 'average' retiree will live 20-30 years in retirement. For another, it's all up to "you". Long gone are the days of pensions. Today's retirees has to make their retirement savings last a lifetime. If you get it wrong, you could run out of money before you run out of retirement.

Social Security, for many retirees, is the only steady retirement income they can count on. The problem is Social Security's Handbook has nearly 3,000 separate rules that regulate benefits. And it has thousands upon thousands of explanations of those rules, and you thought the owner's manual to your cell phone was tough to read. Talk about a user's nightmare! As a result, it is almost impossible for anyone to completely understand these rules. This has contributed to the individuals at the local Social Security offices routinely telling people things that aren't correct about what benefits they can and can't receive and when they can receive them. Taking Social Security benefits -- the right ones at the right time -- is one of the biggest financial decisions you'll ever make, so you need to get it right.

The unfortunate reality with the Social Security system is that it has some very nasty "gottcha" provisions, so if you take the wrong benefits at the wrong time, you can end up getting smaller, benefits forever. This may result in tens of thousands in lost benefits. This is especially the case if you are married.

The bottom line is that taking Social Security benefits at the right time can make a huge difference to a retiree's living standard. That is why it makes sense to get all the information you can about your benefits and work with a retirement income expert that can help coach you through the system, helping you design a retirement income strategy that will produce the highest possible lifetime results.

Here are 22 must knows about Social Security. Most of these are from various published articles written by Laurence J. Kotlikoff nationally recognized Social Security expert and Economics Professor at Boston University...



1

If you are already collecting your retirement benefit and are at or over full retirement age, you can tell Social Security you want to suspend further benefits and then ask them to restart your benefits at a later date, say age 70. Social Security will then apply its Delayed Retirement Credit to your existing benefit once you start collecting again. Hence, this is a means by which certain current Social Security recipients can collect higher benefits, albeit at the cost of giving up their check for a while. But this trade off will, on net, often be very advantageous.

2

If you aren't now collecting and wait until 70 to collect your retirement benefit, it can be as much as 76 percent higher than age 62 benefits, adjusted for inflation, once you start receiving the benefit. For many people, it can be even higher if you continue to earn money after age 62.

3

But, if you are married or divorced, waiting to collect your retirement benefit may be the wrong move. It may be better to take your retirement benefit starting at age 62 and then switch to the spousal benefit you can collect on your current or ex-spouse's account starting at your full retirement age.

4

Be careful! If you take your own retirement benefit early, you will be forced to take your spousal benefit early and at a permanently reduced level IF your spouse is collecting or begins collecting his/her retirement benefits while you are still below your full retirement age.

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If your primary insurance amount (your retirement benefit available if you wait until full retirement) is less than half that of your spouse and you take your own retirement benefit early, but are able to wait until full retirement age to collect your spousal benefit, your total check, for the rest of your life, will be less than one half of your spouse's primary insurance amount. Nonetheless, this may still be the best strategy.

6

There is no advantage to waiting to start collecting spousal benefits after you reach your full retirement age.

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If you started collecting Social Security retirement benefits within the last year and decide it wasn't the right move, you can repay all the benefits received, including spousal and child benefits, and reapply for potentially higher benefits at a future date.

8

If you wait to collect your retirement benefit after you reach your full retirement age, but before you hit age 70, you have to wait until the next January to see your full delayed retirement credit show up in your monthly check.

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Millions of baby boomers can significantly raise their retirement benefits by continuing to work in their 60's. This may also significantly raise the spousal, child, and mother and father benefits their relatives collect.

10

If you take retirement, spousal, or widow/widower benefits early and lose some or all of them because of Social Security's earnings test, Social Security will actuarially increase your benefits starting at your full retirement age based on the number of months of benefits you forfeited. Consequently, you should not be too concerned about working too much and losing your benefits if you elected to take them early.

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When it comes to possibly paying federal income taxes on your Social Security benefits, withdrawals from Roth IRAs aren't counted, but withdrawals from 401(k), 403(b), regular IRAs, and other tax-deferred accounts are. So there may be a significant advantage in a) withdrawing from your tax-deferred accounts after you retire, but before you start collecting Social Security, b) using up your tax-deferred accounts before you withdraw from you Roth accounts, and c) converting your tax-deferred accounts to Roth IRA holdings after or even before you retire, but before you start collecting Social Security

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Social Security's online benefit calculators either don't handle or don't adequately handle spousal, divorcee, child, mother, father, widow or widower benefits.

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The default assumptions used in Social Security's online retirement benefit calculators is that the economy will experience no economy-wide real wage growth and no inflation going forward. This produces benefit estimates that can, for younger people, be significantly less than what they are most likely to receive.

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Some widows/widowers may do better taking their survivor benefits starting at 60 and their retirement benefits at or after full retirement. Others may do better taking their retirement benefits starting at 62 and taking their widow/widowers benefits starting at full retirement age.

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If you're below full retirement age and are collecting a spousal benefit and your spouse is below full retirement age and is collecting a retirement benefit, your spousal benefit can be reduced if your spouse earns beyond the Earnings Test's exempt amount. And it can also be reduced if you earn beyond the Earnings Test's exempt amount.

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The Windfall Elimination Provision affects how the amount of your retirement or disability benefit is calculated if you receive a pension from work where Social Security taxes were not taken out of your pay, such as a government agency or an employer in another country, and you also worked in other jobs long enough to qualify for a Social Security retirement or disability benefit. A modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit than you otherwise would receive.

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Based on the Government Pension Offset provision, if you receive a pension from a federal, state or local government based on work where you did not pay Social Security taxes, your Social Security spouse's or widow's or widower's benefits may be reduced.

18

If you choose to file and wait to collect benefits after age 65 in order to collect a higher benefit later, make sure you pay your Medicare Part B premiums out of your own pocket (i.e., you need to send Social Security a check each month). If you don't, Social Security will pay it for you and treat you as waving (i.e., not suspending) your benefit apart from the premium and, get this, you won't get the Delayed Retirement Credit applied to your benefit. In other words, if you don't pay the Part B premi-

ums directly, your benefit when you ask for it in the future will be **NO LARGER** than when you suspended its receipt. This is a really nasty Gotcha, which I just learned, by accident, from one of Social Security's top actuaries.

19

The thresholds beyond which first 50 percent and then 85 percent of your Social Security benefits are subject to federal income taxation are explicitly **NOT** indexed for inflation. Hence, eventually all Social Security recipients will be tax on 85 percent of their Social Security benefits. Taxation begins with as little as \$25,000 for single tax payers and \$32,000 for

joint tax payers.

You need to be married for 10 years in order to collect spousal and survivor benefits from your ex-spouse if you get divorced. It's amazing how many people get married just shy of 10 years. Yes, you've had it. Yes, you're spouse is the worst of the worst. But stick it out for the extra time if possible. There's potentially a lot of money, which you both can share, if you're just patient. And, btw, no one at Social Security checks whether you are living together let alone sleeping together.

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If you take your retirement benefit early (before full retirement age), it will be reduced and if you die, your spouse's survivor benefit will equal the benefit you were receiving, so it too will be permanently reduced. Furthermore, if you widow/widower takes his/her survivor benefit early, this reduced survivor benefit will be reduced yet again due to the fact that the surviving spouse took her/his survivor benefit early. So this is a double

whammy. If you don't take retirement benefits early and die before full retirement age, your surviving spouse's survivor benefit will equal your full retirement benefit. If you don't take retirement benefits until after full retirement, your surviving spouse's survivor benefit will equal the benefit you were receiving or would have received had you applied right before you died, namely your full retirement benefit augmented by the Delayed Retirement Credit.

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Request a benefit analysis from a retirement income specialist before you apply for your Social Security retirement benefit.

There is a lot to digest in this report.

*That is why working with a retirement
income coach is so important.*

*Making a wrong decision about Social Security
can cost you tens of thousands of dollars.*

*A customized analysis will help you determine
how to get the greatest lifetime retirement income.*