How to make the most of Social Security in your 60s

Academic experts appropriately call Social Security retirement benefits the *best deal in town.* That’s because unlike any of your other assets, Social Security benefits meet all three of your most critical needs over your long retirement years: They automatically increase with the cost of living, aren’t subject to the market’s ups and downs, and most importantly — promise to keep coming in for however long you live.

Plus, your benefits can add up to a lifetime total of more than $1 million. The most important thing to know: You can boost your seven-figure sum even more by making just a few smart decisions now. Here’s how to get started.

**Delay to get a 76% raise**

If you’ll be collecting your own retirement benefit (as opposed to your spouse benefit), and you wait to claim your maximum benefit until age 70 instead of an early reduced benefit at age 62, your benefit will increase by an impressive 76%.

That’s because you’ll receive 100% of your benefit at your full retirement age 66, plus the annual 8% increases in the form of delayed retirement credits from age 66 to 70.

Technically, these benefit adjustments were designed to be cost-neutral to the Social Security system — those who claim early and live to average life expectancy receive smaller monthly benefits for more years, and those who claim later receive larger benefits for fewer years. However, odds are that you’ll live past the averages. So delaying for just a few years will pay off significantly.

If you wait to claim until age 70, your benefit will increase 32% from your full retirement age amount. This is a 76% increase from age 62 to 70.

Plus, Social Security will add the annual cost-of-living adjustments while you delay claiming. Since cost-of-living adjustments are added to a larger amount, your benefit will continue to increase even more after age 70.

**Lock in longevity protection**

Social Security promises to keep sending you monthly payments that increase with the cost of living for the rest of your life. So your goal is to figure out how to get the most of this longevity insurance protection by locking in the largest checks possible.

If you’re tempted to take the money and run because you think you’ll leave money on the table if you die early, this is a bad gamble for most — losing could mean living longer with a significantly smaller check from claiming early.

Consider that the small amount of extra money you’ll have coming in during your early retirement years probably won’t make much of a difference in your lifestyle. But having almost double the Social Security income in your 80s and 90s can make a huge difference in your well-being.

**Take the bargain**

If you had to buy $1 million (or more) lifetime inflation-protected income from an insurance company, it would cost you a lot more than you paid in Social Security taxes during your working years.

That’s because Social Security benefit adjustments are based on average life expectancies. In contrast, retirees who buy private annuities tend to have above average life expectancies, which cost insurance companies much more. Likewise, with no marketing costs and less than 1% administrative overhead, the Social Security program’s expenses are substantially lower than a private company’s costs.
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An extra plus for women
Although women live longer on average than men, the Social Security formulas calculate benefits the same for both genders.

Consider the long-term effect on your savings
What if you have to dip into your savings to cover your expenses while you’re waiting to claim your Social Security benefit? Researchers have studied this question and found that waiting to claim a larger retirement benefit can reduce the amount you need to withdraw from your savings in your later years.²

An example for a double-high-earner married couple*

<table>
<thead>
<tr>
<th>AGE</th>
<th>Both spouses delay claiming their own benefit until age 70. At age 62, they begin withdrawing a 2% inflation-adjusted $100,000 a year from their savings.</th>
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<tbody>
<tr>
<td>62</td>
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<tr>
<td>66</td>
<td>At age 66, they collect one spouse benefit until age 70.</td>
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<tr>
<td>76</td>
<td>By age 76, thanks to their maximized benefits, they need to withdraw less from their savings than if they claimed reduced benefits at age 62.</td>
</tr>
<tr>
<td>85</td>
<td>After 23 years, the cumulative total they withdraw from savings is almost half a million dollars less than if they claimed early at age 62.</td>
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</tbody>
</table>

*Assuming full retirement age benefits of $2,642 and $2,000, life expectancy of 90 and 95, receipt of a spouse benefit from age 66 and 70, and estimated annual 2.8% Social Security cost-of-living increases.

Get the Social Security finance facts
The Social Security Board of Trustees estimates that the combined trust fund reserves will run out in about two decades. However, even if there are no legislative fixes before then, continuing income from the dedicated payroll tax will be sufficient to pay 77% of scheduled benefits in 2033 and 72% in 2088.³

“The key point is that all reasonable estimates show a manageable long-run challenge that policymakers must address, the sooner the better, but not an immediate crisis.”⁴

“Relatively modest changes would place the program on a sound financial footing for 75 years and beyond.”⁵

Additional articles in our Social Security series:
• How to maximize Social Security if you’re in your 60s & married
• How to maximize Social Security if you’re in your 60s & divorced
• How to maximize Social Security if you’re in your 60s & widowed
• How to increase Social Security if you’re in your 60s & already claimed

¹Center for Retirement Research, Should you buy an annuity from Social Security?, Steven Sass, May 2012.
³The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.


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