How to make the most of your Social Security benefits in your 50s and 60s

Academic experts appropriately call Social Security retirement benefits an unbeatable deal. 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. So as you approach your eligibility age, now’s the time to factor this incomparable form of income into your retirement planning.

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 75% RAISE**

If you’ll be collecting your retirement benefit based on your own work record (as opposed to your spouse benefit), Social Security offers you extra bonuses for exercising a little patience.

You’re eligible to start your benefit early at age 62, but you’ll be hit with a 25% permanent reduction. To get 100% of your benefit, you have to wait until your full retirement age — 66 if you were born between 1943 and 1954; 66 plus two to ten months if you were born between 1955 and 1959.

Receiving 100% of your benefit at age 66 is good, but if you can wait just a few more years until age 70, Social Security offers four years of 8% annual increases in the form of delayed retirement credits.

Your total reward for waiting: A 75% increase in your benefit between age 62 and 70. This is in addition to the cost-of-living increases that Social Security adds on each year while you’re waiting to claim, as well as any increases if you continue to work.

Social Security continues to credit these cost-of-living increases each year after you start your benefit. Plus, since the annual increases are applied to your maximized benefit, you get larger raises each year.

Here is an example for higher earners:
If you earned the $2,533 maximum full retirement age Social Security retirement benefit for those claiming in 2013 and you’re currently age 62:

- If you claim your reduced benefit now, it will total about $23,000 a year
- If you wait to claim 100% of your benefit at your full retirement age 66, assuming 2.8% annual cost-of-living adjustments, you’ll receive an inflation-adjusted $34,000

$34,000 may not sound like much compared to the income you earned while working. But on top of this amount, the automatic annual inflation increases keep your payment growing. Plus, if you delay your benefit until age 70, yours for the taking is a 32% total bonus in the form of delayed retirement credits.

With these credits, plus estimated 2.8% annual cost-of-living adjustments, your Social Security benefit will be about $50,000 a year if you wait to claim until age 70. Your maximized benefit will then grow to about $75,000 a year at age 85.

<table>
<thead>
<tr>
<th>Age you claim benefits</th>
<th>Approximate annual Social Security income if you’re currently age 62 and earned the $2,533 full retirement age maximum benefit amount for those claiming in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>$23,000</td>
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<tr>
<td>66</td>
<td>$34,000</td>
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<tr>
<td>70</td>
<td>$50,000</td>
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<table>
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<tr>
<th>Age after claiming</th>
<th>Annual benefit amount including estimated 2.8% cost-of-living increases</th>
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<tbody>
<tr>
<td>85</td>
<td>$75,000</td>
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<td>90</td>
<td>$85,000</td>
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</tbody>
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The grand total including these extras if you live until age 90: An impressive $1.3 million in lifetime benefits.

**LOCK IN LONGEVITY PROTECTION**

As a social insurance program, 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 before age 70, you can’t! If you delay your benefit until age 70, yours for the taking will be 32% greater than if you claim it at age 62. If you delay it until age 72, you’ll receive a 37% increase, and so on.

For higher earners, Social Security offers a second level of longevity protection: Delayed retirement credits. If you’re currently age 62 and earned the $2,533 maximum full retirement age Social Security retirement benefit for those claiming in 2013, you have three claiming ages to choose from:

- Age 62: $23,000 a year
- Age 66: $34,000 a year
- Age 70: $50,000 a year

The grand total including these extras if you live until age 90: An impressive $1.3 million in lifetime benefits.
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, when you need it most, can make a huge difference in your well-being.

**LONGEVITY PROTECTION X2**

If you’re married, in addition to considering your own longevity, it’s essential to consider your spouse in your benefit claiming decision. That’s because survivors lose their deceased spouse’s benefit check, but their benefit steps up to their spouse’s check amount if it was higher.

So even if you have health issues and are pretty certain that you won’t live beyond your 70s, delaying your benefit may leave your spouse more money. For more information, read: *If you’re married and in your 50s and 60s, how to make the most of your Social Security benefits.*

**TAKE THE BARGAIN**

If you had to buy $1 million+ 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. Also significant, the increases that Social Security credits for delaying benefits from age 62 to 65 are still the same as when they were created 50 years ago, despite changing interest rates and rising life expectancies.¹

Most importantly for women, the Social Security formulas calculate benefits the same way for both genders, even though women live longer on average than men.

**WEIGHT 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 retirement benefit? Researchers have studied this question and found that waiting to claim a larger benefit can reduce the amount you need to withdraw from your savings in your later years.²

For example, let’s say a double-high-earner married couple is delaying Social Security benefits until age 70. They want to withdraw a 2% inflation-adjusted $100,000 for annual spending beginning at age 62.

Thanks to the 25% increase from age 62 to 66, four years of 8% delayed retirement credits between age 66 and 70, and estimated annual 2.8% cost-of-living increases, after age 76 they will need to withdraw less from savings than if they started their benefits at age 62 — with the disparity growing each year.

By age 85, the cumulative total amount they will need to withdraw from savings over the 23 years amounts to almost half a million dollars less.³

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¹Sources: The Official Website of the Social Security Administration, ssa.gov; The Social Security Program Operations Manual System; The Social Security Handbook; The 2013 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds; Center for Retirement Research at Boston College; Center on Budget and Policy Priorities; National Academy of Social Insurance

²Assuming full retirement age benefits of $2,533 for the husband and $2,000 for the wife, life expectancy of 90 for the husband and 95 for the wife, and receipt of the wife’s spouse benefit between age 66 and 70

³For More Information About Your Specific Situation, Refer to These Other Articles in Our Social Security Series:

- Get the facts about Social Security finances before you make any decisions
- If you’re in your 50s and 60s and married, here’s how to maximize your Social Security benefit
- If you’re in your 50s and 60s and divorced, here’s how to make the most of your Social Security benefits
- If you’re in your 50s and 60s and widowed, here’s how to get the most from your Social Security benefits
- Five ways to increase your Social Security income if you’re in your 60s and have already started your benefits

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¹Center for Retirement Research at Boston College, *Can the actuarial reduction for Social Security early retirement still be right?*, March 2012


³Assuming full retirement age benefits of $2,533 for the husband and $2,000 for the wife, life expectancy of 90 for the husband and 95 for the wife, and receipt of the wife’s spouse benefit between age 66 and 70

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