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### **Wait! Before You Start Drawing Social Security ...**

**Brian Zdrowak**

Did you know that for couples living to average life expectancy there are strategies to maximize Social Security? If planned properly, that can translate into an increase of as much as several hundreds of thousands of dollars over their lifetime! The reality is that most retirees today are taking their benefit earlier, as much as five years earlier than taken in 1955, according to a 2009 paper from the U.S. Social Security Administration's Office of Retirement and Disability Policy.

So when is the right time to take Social Security? My guess is that most people would answer with a grin, "As soon as possible!" Why? Well the reasons vary: having cash to fund an early retirement, feeling the emotion of waiting, and worrying that Social Security will not be there when it is needed.

#### **Evolution of Social Security**

The reality is that a lot has changed since Social Security was founded in 1935. When Social Security was established, it was meant as a backstop for older Americans to keep them out of poverty. The earliest you could take benefits was age 65, higher than life expectancy of the time (age 58 for men and age 62 for woman). Today, retirees can take Social Security as early as age 62, and a couple retiring today has about a 30 percent chance that one of them will reach age 90, or almost 30 years of payments.

#### **Retirement Planning**

The classic adage for retirement planning was the three-legged stool: a pension, savings and Social Security. For the majority of us, pensions are either nonexistent or were frozen by most companies years ago. Therefore, more pressure is being put on the other two legs of the retirement stool, threatening to knock us over.

For a person in good health, longevity is the greater risk versus the daily gyrations of the stock market. How does a person in good health maximize the other two legs of the retirement stool, savings and Social Security? For the first leg, savings will come down to how much we can afford to save for retirement. A shortfall in savings only leaves two options: spend less or work longer.

#### **Social Security Statement**

The other option is maximizing your Social Security cash flow by optimizing the available benefit strategies. For a couple nearing retirement, the first step is to look at Social Security statements. Statements are no longer mailed to each household, they are now available online at [www.ssa.gov](http://www.ssa.gov). You will need to set up an account using the my Social Security tab at the middle left of page.

#### **When to Take Social Security**

Once you have your statement, ask yourself a few questions:

--How is your health?

--What is the age difference between you and your spouse?

--Can you afford to delay Social Security for a few months or years?

The concern is not whether the stock market will go up or down on any given day, it is whether we will outlive our savings and home equity, forcing our hand to ask loved ones for help. A strategy to mitigate this risk is delaying Social Security. In today's low-interest-rate environment, delaying Social Security is the equivalent of a risk-free annuity — if you can delay payments for one year, your monthly benefit would increase between 6.7 percent and 8.4 percent. And a one-year delay of spousal benefits could give an increase of as much as 11.2 percent.

### **Strategies: An Example**

Note: The example shown below is based only on the specific facts presented. There are many different strategies that might be used by a couple (or divorcees or widows) based on their own particular circumstances.

Assume a married couple where both the wife and husband are 66 years old. Both have a working history, and the wife has been the higher wage earner. Since both have reached full retirement age for Social Security, it would be possible for the wife to file and suspend her benefit and the husband to start taking a spousal benefit. The spousal benefit can vary in amount; however, in this case the spousal benefit for the husband would be 50 percent of his wife's benefit. By taking the spousal benefit, he is delaying his own benefit and allowing it to grow 8 percent annually until age 70. By filing and suspending, she is also allowing her benefit to grow 8 percent annually until age 70. At that point, he would switch to his benefit and she would begin taking her benefit, both of which would be 32 percent higher than if they had taken them at age 66. Depending on their lifetime wages, this strategy could mean as much as an additional \$75,000 over normal life expectancy.

### **Conclusion**

A final piece of advice when deciding when to take Social Security: Do what is best for you. It is easy to get caught up in what the so-called experts have to say and to rely on the well-intentioned words of friends. However, only you know your financial and emotional situation.

Arm yourself with your Social Security statements, ask questions of the Social Security Administration and, if available, consult with someone knowledgeable who will take the time to have a conversation about your specific circumstances. When to take Social Security is not an easy decision, but it is one that can provide great benefits with some extra effort and consideration.

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Brian joined Dopkins in 2005. He provides financial solutions to individuals, trusts, small business owners and employee benefit plans. Prior to joining Dopkins, Brian worked for 17 years with a Fortune 500 national marketer and distributor of food service products.

Brian and his wife Debbie have three children. On the weekends, Brian and Debbie enjoy renovating their 1870 Orchard Park home. In the community, Brian is involved with the Advisory Board for the Orchard Park High School Academy of Finance and the Key Communicators Group for Orchard Park School District.

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