



Tips – Social Security Benefits Election

MANY AMERICANS DO NOT FULLY APPRECIATE just how important and complex decisions on Social Security benefits can be. The stakes are quite high. Some experts estimate the difference between a good Social Security benefit election decision and a poor one may result in a difference of up to \$100,000 in income. According to one study, 83% of baby boomers admit to not knowing a great deal about Social Security benefits.¹

Here are a dozen tips to help you with your Social Security benefits election:

1. Put the decision into context. Social Security benefits may be just one piece of your retirement income strategy. Determine what other sources of income you have available to you and when would be the best time to tap into those sources.
2. Estimate how much you will spend each month on fixed expenses.
3. Think about how long you can reasonably expect to live based on your current health, lifestyle factors, and your parents' longevity. Your longevity is a critical variable in determining how best to maximize your Social Security benefits.
4. Determine when you would like to retire.
5. Find your full retirement age. Social Security bases its calculation on your full retirement age, which varies with the year you were born. No matter when you were born, you can collect some Social Security benefits as early as age 62, but your monthly benefits will be permanently reduced if you begin drawing benefits before you have reached your full retirement age.
6. Get an idea of how much you can expect to receive in benefits. Go to the Social Security website and use the secure online Retirement Estimator for immediate and personalized retirement benefit estimates.



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- 7.** If married, coordinate your decision with your spouse. While it may seem practical for both spouses to retire and receive benefits simultaneously, to do so may drastically limit your overall benefit amount.
- 8.** If you are divorced, know that you may be eligible to claim your ex's level of benefits, if it's higher than yours. This is sometimes called a derivative benefit and claiming it doesn't affect your former spouse's benefits or the benefits that his or her current spouse can claim.
- 9.** Create an online account on the Social Security website. The account will allow you to review your Social Security Statement, verify your earnings, print a benefit verification letter, change your direct deposit information, and additional tasks.
- 10.** Know the tax implications. About one-third of people who receive Social Security have to pay income taxes on their benefits. To find out if you are one of them, get Publication 554, Tax Guide For Seniors. Improper planning could move you up a tax bracket in retirement, which no one wants.
- 11.** Think ahead. You should apply for benefits about three months before you want your benefits to start. In order to apply, you'll need your Social Security card, birth certificate, proof of citizenship, military service papers (if applicable), and a copy of your W-2 and/or self-employment tax form.
- 12.** Know whom to call upon for guidance. The Social Security Administration is a tremendous resource for information; however, representatives cannot provide advice. Consider consulting with a financial advisor who is knowledgeable in retirement and income planning and who is familiar with your unique circumstances and life goals.

¹ <http://www.fa-mag.com/news/study-spotlights-knowledge-gaps-fas-can-fill-17840.html>

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