

Is 70 the new 65?

By Lori Lemmer

More Americans expect to work until they are 70; sometimes there are benefits to this.

When it comes to retirement, later may be better.

Americans long viewed 65 as the age to stop working. It was considered full retirement age by Social Security for many people. Medicare benefits kick in then and the general practice had established that benefits should be drawn then too.

Now some experts are suggesting that people prolong drawing benefits a bit longer, sometimes to age 70.

The reason? Working for a few more years or drawing your Social Security benefits later can significantly boost income. That's particularly important as fewer workers receive pensions. American taxpayers largely have taken on the responsibility for saving for their own retirement, often failing to do so adequately.

We keep adding years of life, but we sometimes fail to add those years to our planned retirement age. People began living longer, pensions became less common and Americans had to manage their own retirement savings with more years to pay for.

As you approach retirement, you are going to face big decisions. You can't just tumble into retirement, you have to be thoughtful about it. Anyone who is a little behind in their savings, even just one year of delay can make a big difference.

When you start receiving full Social Security benefits is a key question for your retirement plans. The first thing to understand is that the concept of "full retirement age" is a moving

target that depends on your birth year. You can generally elect to take benefits as early as age 62 or wait until as late as age 70. There is no “correct” claiming age for everyone. But if you can afford to wait, starting Social Security later can pay off over a long retirement.

Your full benefit is reduced if you take Social Security early and you will get credit for delaying. Consider the following factors as you decide when to take Social Security.

Cash Needs

If you are contemplating early retirement and you have sufficient resources, you can be flexible about when to take Social Security benefits. However, if you will need the benefits to make ends meet, you may have fewer options. If possible, you may want to consider postponing retirement or work part-time until you reach full retirement age or even longer so that you can maximize your benefits.

Your life expectancy and break-even age

Taking Social Security early reduces your benefits, but you will receive monthly checks for a longer time. On the other hand, taking Social Security later results in fewer checks during your lifetime, but the credit for waiting means each check will be larger. Social Security Administration has several handy calculators to help determine your break-even age. But of course, no one has the crystal ball to determine your date of death or your health in later years either.

Your Spouse

There are many additional strategies to consider if you are married. If there are material differences in work history, it might make sense for the lower-earning spouse to file earlier while the higher earner waits until 70.

You Are Still Working

Earning a wage can reduce your benefit temporarily if you take Social Security early. If you're still working and you haven't reached your full retirement age, \$1 in benefits will be deducted for every \$2 you earn above the annual limit (\$17,040 in 2018).

Also keep in mind that Social Security benefits may be taxable, depending on your Adjusted Gross Income.

The bottom line is if you have a choice and are in good health, think seriously about waiting as long as you can to take your benefits. For retirees in good health, a long retirement, coupled with uncertainty about markets and inflation, are the biggest risks. Delaying Social Security, if you can, is effectively an insurance policy against those challenges.

Everyone's situation is different. Give us a call and let our team run a Social Security Timing analysis for you.

Thanks,

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