SOME NUANCE REGARDING CHOOSING WHEN AND HOW TO TAKE SOCIAL SECURITY—THE MONEY MARATHON MARCH 2012

About half of all retirees claim Social Security early. Many people need the cash, or are worried Social Security won't be around much longer, or don't expect to live very long. Taking Social Security early may not always be the best answer especially with the number of 90 plus year olds expected to quadruple by 2050. If a person waits until age 66, he will receive at least one third more than someone drawing at age 62 and if he waits until age 70 he will receive three quarters more than a 62 year old. Several free sites that can help a person figure their benefits are the Social Security's own website, as well as AARP.com and AnalyzeNow.com.

An article in the March 2012 addition of Smart Money written by Glenn Ruffenach, titled "Which Social Security Strategy Will Pay the Most Over a Lifetime?" offers some interesting examples that show some of the decisions and calculations that can be made. The author uses cumulative expected benefits as a benchmark for comparison.

One example given in the article is a hypothetical person who can consider choosing $1500 per month at age 62 or waiting until age 70 and collect $2640. Although the first choice gives $1500 per month more over the first eight years, if the person lives to 92, his lifetime income would be $540,000 using the age 62 option and $696,960 using the age 70 option, a $157,000 increase. Longevity risk is clearly part of the decision. The longer a person lives, the more beneficial is the option to wait longer.

A second example involves a husband and wife age 62 and 58 respectively. The husband is scheduled to receive $2000 at age 66 and the wife is scheduled under her earnings to receive $1600 at age 66. If the husband lives to age 83 and the wife lives to age 90, they would collect $840,000 over their lifetimes. An option that would be more lucrative in this case would be for the husband to claim a spousal benefit of $800 at age 62 (choosing half of his wife's benefit) and the wife claims a reduced benefit of $1200 at age 62. When the husband reaches age 70, he could switch to his higher benefit of $2640 based on his earnings history, which is a technique that is allowed under delayed retirement credits. In this case, they collect $1,043,320 over their lifetimes, an increase of $203,000 over the previous option. Another interesting piece of this puzzle is that if the husband dies under the first option, the wife would collect a survivor's benefit of $1650 per month, but under the second option she would collect a survivor's benefit of $2640 per month, almost $1000 per month more, an important benefit that should not be ignored.

The last example involves a women age 60 who loses her husband. Her benefit at full retirement is $1400. His benefit would have been $2000. She could begin collecting a widow's benefit of $1430 at age 60 or a better strategy might be to wait until age 62 and claim a reduced benefit of $1050 based on her earning history and then claim a widow's benefit at age 66 of $2000 adding an extra $112,000 if she lives to be 89.

The point of these examples is not to make everyone's situation perfectly clear, because every situation is different. The point is that a person should take adequate time to consider what is best for them and seek help from a professional or from the Social Security administration or a website before making a decision that could prove to have a significant financial impact.

Ed Douglas is a Certified Financial Planner/Consultant, Chairman Emeritus of Citizens Bancshares and author of three books, "Making a Million With Only $2000-Every Young Person Can Do It", "The Money Marathon: 7 Simple Steps to Financial Freedom" and his latest book " 25 Truths: Winning Wisdom for a Better Life", available at www.eddouglas.com. Ed may be contacted for financial planning services or seminars based on his books at ed@eddouglas.com or 660-646-2066 or at his office at 601 Locust.