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Marc A. Hebert's 'Money \$ense': Managing Social Security at 62

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IF THIS is your year to turn age 62, it is also your year to consider collecting Social Security benefits. Age 62 is the earliest you can receive retirement benefits. But the real question is: Should you start doing so?

Social Security benefits are based on a formula that accounts for the number of years you have worked and the amount you earned each year to arrive at a benefit. Your 35 highest years of earnings are considered. Given this, working longer may give you the chance to substitute a year of higher earnings for a year of lower earnings. This could translate into a higher benefit.



If you plan on working after age 62 and do decide to collect, there is an earnings limit to consider. If you are under full retirement age for the entire year, your Social Security retirement benefits are reduced \$1 for every \$2 you earn over the earnings limit, which is \$18,240 in 2020. A different limit will apply during the year you reach full retirement age. This doesn't result in a total loss since Social Security recalculates your benefits when you reach full retirement age, which is the age at which you are eligible for your unreduced benefit.

After full retirement age, you can earn as much as you want while receiving benefits.

At age 62, your monthly check is lower than it would be if you had waited until your full retirement age. The reduction in early benefits is tied to your full retirement age, which depends on the year you were born. For example, if you were born between 1943 and 1954, your full retirement age is 66 years. If you were born in 1958, your full retirement age is 66 years and 8 months.

Though there is a reduction in benefits for starting payments early, you will receive this amount for a longer period of time than you would have had you waited to collect. There is a break-even point at which waiting to take benefits outweighs the value of receiving reduced benefits for longer. A general rule of thumb is that break-even age is around 12 years after full retirement age, but the exact timing depends on the recipient's individual situation. At a full retirement age of 66, for example, it can be expected to reach break-even age at about age 78.

Of course no one can predict how long they will live. In reviewing break-even points, you will need to evaluate your longevity while taking into consideration your current health, diet, exercise, available medical care and family history.

For many people, the amount of benefits received over their lifetime isn't the primary factor in selecting a particular Social Security strategy. The key factor is often how much per month you can receive. If you can wait to collect past full retirement age, your benefit increases by 8% per year up to age 70.

Another consideration in waiting to collect is the effect that Social Security's annual cost-of-living adjustments will have. These are calculated using your initial year's benefit as the base. If you wait to collect, your base is higher and your annual increases will be as well.

You might also want to consider the tax impacts of collecting Social Security. Up to 85% of your benefits can be taxable.

If you are married, you will need to consider the effect that benefit claiming strategies will have on both of you. Consider how much lifetime benefit both of you will have and the amount a surviving spouse will receive.

Remember, if you start collecting benefits at age 62, you still are not eligible for Medicare until age 65. Make certain you plan for health care in the interim period.

As can be seen, the rules governing Social Security are complex and there is a lot to consider. For more information about your benefits, you can visit the Social Security Administration (SSA) website at **socialsecurity.gov**. You can also call and visit your local SSA office.

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