

# Herald-Journal

## Noel Swain: Should I Take my Social Security Benefit Early?

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With so many baby boomers reaching Social Security age each day, that subject has come to dominate many of the conversations

financial advisors have with their clients.

At least that conversation is big in my conference room. And for all the information that's available about Social Security on the internet and other places, it is widely misunderstood.

Today I want to bring some understanding to one issue about Social Security, not from an advocacy position, but from a non-partisan and open way.

The issue is whether one should take his or her benefit early, or wait until they reach "full retirement age" before starting the benefit.

Social Security reports that 74 percent of eligible recipients take their benefit early.

Is that a good idea? Well ... maybe, maybe not!

Even though it is a point of contention among many people, let's assume that Social Security will always be there for the people of age to take it now. For this case study, our subject, Otto, was born on March 13, 1960. As he celebrates his 59th birthday today, he wants to figure out if he should take his monthly Social Security benefit at 62 or wait until later to take it.

Otto's "full retirement age" is 67. He can start taking his benefit at 62 or wait all the way to his 70th birthday to start. If he does, he gets a 7.4 percent increase in his benefit each year he waits.

Otto's age 67 benefit is \$2,000 a month. That means he will get \$1,400 each month if he starts at 62. If he waits to 70 to begin, his benefit will be \$2,480 a month, a 77 percent increase (\$1,080) over his age 62 monthly benefit.

I calculated that Otto would need \$324,000 in a lump sum to provide an additional \$1,080 monthly income (with cost-of-living increases) for 30 years. If Otto tried to save that \$1,080 each month for eight years, until he turned 70, he'd need a 19.1 percent tax-deferred annual return to wind up with the \$324,000 he'd need to equal his age 70 monthly benefit.

From a purely numbers and investment standpoint, it's clearly more beneficial for Otto to wait to age 70 to collect Social Security.

But Otto, just like us all, may have other considerations. He may have gotten laid off and need the money now, or he may have an illness that could cut his life short.

The answer of whether to take one's Social Security early won't be the same for everyone. It'll depend on his or her circumstances.

Personally, I'm waiting to 70 to take my benefit because I'm pretty healthy and I believe I'll live a long life.

My wife's benefit would be much lower than mine. I am 10 years older than she is, and she will get my increased benefit if I pass before her, which is likely.

So for me, waiting makes sense.

It may not for you.

You may need to run the numbers, or get with your adviser, to find out.