When Is the Best Time to Begin Taking Your Social Security Benefits?

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Social Security benefits represent one of the only streams of lifetime income available with built-in cost-of-living adjustments. Benefits come with rights of survivorship, so when one spouse dies, the other spouse receives the higher of the two benefits.

Deciding when to take Social Security benefits is critically important to maximizing long-term benefits. Benefits may be claimed as early as age 62, but if income isn't needed, or if you're still working, you can wait up to eight years. Taking benefits early results in a permanent reduction; the earlier benefits are taken, the greater the reduction.

Postponing benefits beyond full benefits age results in a credit of 8% per year (up to age 70), plus annual cost-of-living increases (COLIs). So if full retirement age is 67, monthly benefit amounts will be 24% higher (plus COLIs) if benefits are delayed to 70. The COLI will be applied to the higher benefits and will apply to survivor benefits.

Married couples have many factors to consider prior to filing:

- Are both individuals eligible for benefits based on their own working records?
- What age should each claim benefits?
- Can strategies be used to increase benefits?

If both are eligible for benefits, calculate whether each should claim their own benefit or claim spousal benefits. If one spouse earned significantly more, it's likely the other spouse should claim a spousal benefit, which is one-half of the higher earner's benefit.

Here are two strategies that help maximize benefits. *"File and Suspend"* is often employed when the couple has a significant wage disparity, and the higher wage earner wants to maximize benefits by waiting until 70. The lower-earner, if 62 or older, could claim on his or her own record, or could opt for the higher spousal benefit. However, the lower-earner cannot claim spousal benefits unless the higher-earner has filed.

Here's how to solve it: If the higher-earner has reached full benefits age, he or she files for benefits. Then the lower-earner files for spousal benefits, but the higher-earning spouse suspends the receipt of benefits. Thus, the lower-earner claims higher benefits, while the higher-earner continues accruing credits. This is particularly beneficial if the higher-earner dies first because the survivor will have a higher benefit.

"Restricting an Application" to a spousal benefit only is a less-commonly used strategy. Here, the lower-earner claims his or her benefit, and the higher-earner applies for spousal benefits (note: the higher- earner must be eligible to take benefits). If the higher-earner has reached full retirement age, he or she is eligible for half of the lower-earner's full benefit amount, even if the spouse is receiving a reduced benefit because he or she started early! Then, the higher-earner can switch to his or her own benefit amount at age 70, and the lower earner can switch to a spousal benefit.

These strategies can be complex, but worth it!