

# Money Matters

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## Skloff Financial Group Question of the Month

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**Q: What is the best age to claim Social Security benefits – Part 1?**

### The Problem – Claiming Social Security Benefits Too Young or Too Old, Instead of the Best Age

Imagine being offered three choices for a lifetime stream of income. The first choice starts now and pays a modest amount. The second choice starts later and pays more. The third choice starts even later and pays even more. This is the dilemma you face when choosing the best age to claim Social Security benefits.

### The Solution – The Best Age to Claim Social Security Benefits Is the Age That Provides the Highest Cumulative Benefits, But...

When determining the best age to claim Social Security benefits you should consider your current and future income needs, your current and future health, and life expectancy. The Social Security Administration website provides a free online tool ('my Social Security') to create a personalized estimate of your benefits. You can start your benefits between ages 62 and 70, with normal retirement age (NRA) ranging from 65 to 67 (based on your birth year). The "primary insurance amount" (PIA) is the benefit you would receive if you begin receiving retirement benefits at your normal retirement age (NRA). At this age, the benefit is neither reduced for early retirement nor increased for delayed retirement. **Starting benefits at age 70 yields the highest income. If you were born in 1943 or later, Social Security will add 8% to your benefit for each full year you delay receiving benefits beyond your NRA.** The following table shows the effect of starting Social Security benefits early or later.

Effect of Starting Social Security Benefits Early or Later											
Benefit, as a Percentage of Primary Insurance Amount (PIA), Payable at Ages 62-70											
Year of Birth	Normal Retirement Age (NRA)	Credit (%) for Each Year of Delayed Retirement After NRA	Benefit, as a Percentage of PIA, Beginning at Age--								
			62	63	64	65	66	67	68	69	70
1943-54	66	8	75	80	86 2/3	93 1/3	100	108	116	124	132
1955	66, 2 mo.	8	74 1/6	79 1/6	85 5/9	92 2/9	98 8/9	106 2/3	115 2/3	123 2/3	130 2/3
1956	66, 4 mo.	8	73 1/3	78 1/3	84 4/9	91 1/9	97 7/9	105 1/3	113 1/3	121 1/3	129 1/3
1957	66, 6 mo.	8	72 1/2	77 1/2	83 1/3	90	96 2/3	104	112	120	128
1958	66, 8 mo.	8	71 2/3	76 2/3	82 2/9	88 8/9	95 5/9	102 2/3	110 2/3	118 2/3	126 2/3
1959	66, 10 mo.	8	70 5/8	75 5/6	81 1/9	87 7/9	94 4/9	101 1/3	109 1/3	117 1/3	125 1/3
1960 and later	67	8	70	75	80	86 2/3	93 1/3	100	108	116	124

While the 'best' age to claim benefits is the age that provides the highest cumulative benefits, there are three key factors you should consider before claiming benefits.

**Current and Future Income Needs.** Maybe you desire income at age 62 to pay for current and future vacations. Maybe you need income at age 62 to pay for current and future essentials like grocery bills. It is impossible to calculate the joy you receive from vacationing at age 62 in places like Naples, FL. It is impossible to calculate the joy you receive from knowing you can pay for essentials like healthy food. Delaying benefits to age 70 will yield the highest benefits, but at what cost? By age 70, you may no longer have an interest in vacationing. By age 70, you may have foregone essentials like healthy food and lived a substandard lifestyle.

**Health.** Maybe you desire income at age 62 to pay for current and future vacations, including hiking trails to Machu Picchu or scuba diving in the Great Barrier Reef. Maybe you want income to pay for a golf membership. Maybe you need income at age 62 to pay for a modified diet to accommodate your health. If you delay benefits to age 70, your health may prevent you from vacationing. If you delay benefits to age 70, you may not have enough income to pay for the food you need to maintain your health.

**Life Expectancy.** If you have good genes and have led a healthy lifestyle, at the age of 62, you may very well live into your 80s or 90s – maybe, to 100+. Under these circumstances, you are likely to yield the highest cumulative benefits by delaying benefits to age 70. If you had two myocardial infarctions (heart attacks) before the age of 60, at the age of 62, you may not live past your mid-70s. Under these circumstances, you are likely to yield the highest cumulative benefits by starting benefits at age 62.

### Action Steps – Determine the Best Age to Claim Social Security Benefits Based on Your Wants and Needs

Work closely with your Registered Investment Adviser (RIA) to determine the best age to claim Social Security benefits.

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