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SOCIAL SECURITY PART II

by Xenia Woltmann

In our previous article, we covered the funding and eligibility for social security benefits. We can now take a deeper dive into some overlooked concepts. The following are a few strategies that may be available depending on your situation:

- If you are over 62 and have minor children, you may be entitled to a dependent care benefit.
- If you are married, you may be entitled to half of your spouse's benefit if half of theirs is greater than yours. Also, if previously married for more than 10 years, you may be eligible for half of your former spouse's benefit.
- If you have already started taking social security benefits and thought it may have been the wrong decision, you may be able to stop drawing at full retirement age, allow your benefits to grow, and startup again at a later age.
- If your spouse passes away, you are eligible to receive their benefit if it is higher than your own. Note that you will only receive one or the other, not both. This could also apply if have a former spouse who passed away.
- If born on or before January 1, 1954, you may still be eligible for benefits on your spouse or ex-spouse's record. If they are receiving benefits, you may file for spousal benefits at full retirement age and allow your own to grow until age 70.

We understand that the longer you delay receiving benefits, the higher the monthly income. However, there many aspects to consider before deciding when to take benefits. You must account for all avenues of income, inflation, taxes, and longevity to name a few. It is also important to note that couples should never plan solely on their individual life expectancies. When maximizing social security benefits for couples, it is critical to consider how long the surviving spouse may live. As a reminder, the surviving spouse takes over the higher benefit; therefore, you will typically want the spouse with the higher benefit to wait as long as possible before drawing.

Another component to consider is that the cost-of-living adjustment has been historically low over the last ten years with an average of increase of only 1.45% per year. In comparison over the same time frame, stamps have averaged 3.35% and the price of beef has averaged 4.14%. Hence, you should not expect your payments to keep up with our true inflation rate.

Lastly, be cognizant of the tax consequences when deciding how to draw social security. Will this income change my tax bracket? Will IRA distributions or investment capital gains force my social security benefits to be taxed differently?

While there are many factors to consider, it is important to remember that each situation is unique and should be reviewed annually.

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