# 18 Ways to Get the Most Out of Social Security

Ever since the Great Depression of the 1930s, Social Security has been a major source of retirement income, and will most likely continue being so for generations to come.

Despite worries that the program is collapsing due to uncertainty in the economy and a steady depletion of money in the system, it is more secure than what many Americans think.

Here are 18 things consumers should know in order to make the most out of Social Security, and alleviate fears of outliving their money.

**1. Don't panic over reports that Social Security is going Bankrupt**
People who warn that the Social Security Trust Fund is projected to run out of money sometime after 2033 often neglect to say that even then, current workers' FICA taxes would cover 77% of retiree benefits. And meanwhile, with that date still two decades away, there is plenty of time to fix any shortfall. Example: Eliminating the cap on income subject to the FICA tax.

Changes will likely be made, the last resort would be for the government to just print more money.  Not a great one by any stretch. It would give us all our benefits, but would likely create inflation that would make those benefits worth considerably less.

**2. Don't take Social Security benefits too early**
As Alicia Munnell, director of Boston College's Center for Retirement Research notes, delaying collecting Social Security until age 66, or better yet, 70, is the best single investment an ordinary person can make, since the benefit amount keeps rising each year you wait.

Example: A $12,000 benefit at age 62 would be a $16,000 benefit at 66 (not counting annual inflation adjustments), and if taken at age 70 would be $21,120 a year (also not counting inflation adjustments). Munnell argues that even if you need the money, it would generally be better to draw down your IRA or 401(k) balance in order to allow you to postpone collecting Social Security benefits.

**3. Social Security benefits are not just for you**
Contrary to a common misconception, there is no "marriage penalty" with Social Security. Both spouses can collect their full benefits. There is, however, often a better

alternative if one spouse earned a lot more than the other, and has a much higher Social Security benefit coming: the spousal benefit amount is set at 50% of the higher spouse's benefit amount. Thus if a high earning spouse is getting $30,000 a year in Social Security benefits, while the low-earner's own earnings only resulted in a $12,000 annual Social Security benefit, that spouse could take a spousal benefit instead of $15,000 a year.

**4. Social Security has a death benefit**

When a higher-earning spouse dies, the surviving spouse starts receiving a "widow's benefit" that is 100% of the deceased spouse's Social Security benefit. That's a good reason for the higher earning spouse to wait until age 70 to start collecting benefits. Where else can you get an annuity like that with an inflation clause linked (so far at least), one-to-one to the Consumer Price Index?

**5. It is possible for a lower-earning spouse to collect early, and then switch to a higher benefit later**

Say you are the lower-earning spouse. Your wife or husband, the higher earner, can file for benefits at 66 but then opt not to receive them. That allows this spouse to have the benefit amount continue to rise right up to age 70 and to continue to work and earn a high income without any penalty.

Meanwhile, however, because he or she has filed for retirement, the lower-earning spouse can retire and start collecting the spousal benefit of the higher-earning spouse, which would be one-half of the higher-earner's benefit amount.

In addition, if the lower-earning spouse is also 66, he or she can also continue to work without penalty. And since this person has not filed for his or her own Social Security benefits, he or she can wait to age 70, and then shift over to his or her own account and collect the maximum benefit.

**6. Maximizing your earnings just before retirement can pay off big in higher Social Security benefits**

The Social Security administration calculates your benefit amount in retirement by averaging the top-earning 35 years of your working life, after adjusting earlier years for inflation. What this means is that each year over 35 that you earn more money, a lower-earning year is erased from the average.

This is another good reason to work longer and wait to collect benefits. You should also check your benefit statement online at www.ssa.gov at least every three years to make sure they have the correct income amounts. There's a three year window to make corrections.

**7. Don't throw your spouse out too soon**
An ex-spouse can retire on his/her former spouse's benefits, as long as they were married at least 10 years. But a surprising number of marriages blow up just shy of 10 years. This can put one in a very awkward position having to consider the possibility that the lower-earning spouse could collect higher Social Security benefits by hanging in there just a while longer to get past that 10-year mark.

**8. Children and Surviving Parents get Benefits from a Deceased Spouse's Social Security**
If your spouse dies at the age of 62 or older, and was thus eligible to collect Social Security, any children under 18 (or under 20 if still in high school), are eligible for child benefits. The surviving parent of any children under age 16 can also receive survivor benefits. Children receive 75% of the deceased parent's Social Security benefit. The surviving parent of children under 16 also receives 75% of the deceased spouse's benefit. (There is a cap for a surviving family of between 150-180% of the deceased's benefit amount.)

**9. A widow can start collecting Social Security spousal benefits on the deceased spouse's account at age 60**
This amount will be reduced by a small amount for each month before the surviving spouse's actual retirement age of 62. But after age 62, he or she may switch to their own account. The best time to switch over can be complicated and the Social Security Administration advises such people to consult with a Social Security representative before making such a decision.

**10. You don't need to retire to collect Social Security, even at age 62, but you will pay a penalty**
Those who retire at 62, or before reaching full retirement age of 66 (67 for those born after 1960), pay a penalty of $1 for each $2 earned over $15,120 in 2013. For those who are reaching full retirement age of 66 this year and who start collecting Social Security will pay a $1 penalty for every $3 earned over $40,080 (these limits are raised each year for inflation). But don't be too troubled by the penalty. The Social Security Administration, after you reach full retirement age, will adjust upward your benefit amount to reflect the extra money you earned by continuing to work while collecting early benefits, and the money that was withheld as a penalty.

**11. Social Security income and the law**
Social Security income is protected by law from most creditors – but not from debts owed to the IRS, federal student loans or other federal government claimants (or from alimony or child-support payments).

This means you may want to settle federal debts using other assets before you are depending upon your Social Security benefits in retirement, but it also suggests that if you have transferred other assets, for example into a Trust for your children, you don't have to worry about private creditors.

**12. Social Security income is taxed at less than other income**
If your taxable income is less than $25,000 or $32,000 for a couple filing jointly, you owe no income tax on your Social Security benefits. Above that amount, the taxable amount of your Social Security benefits increases with income to a maximum of 85%. However, since withdrawals from a Roth IRA don't count as taxable income, it can be advantageous to start withdrawals from non-Roth retirement funds, holding Roth withdrawals until you start collecting benefits.

**13. Don't rely on estimates**
In making plans for your retirement, don't rely on the estimates from the Social Security Administration about your likely future retirement benefits. The administration does not factor in either inflation or any general average increase in wages. Since both are likely based upon historical trends, your future benefits are likely to be higher for any age than the estimates provided by the SSA.

**14. Marriage and Social Security**
People who divorce after 10 years of marriage and who then remarry normally cannot later receive spousal retirement benefits based upon an ex's benefits. But there is a big exception: people who remarry after age 60.

If you are a divorcee and the love of your life is not a big earner while your ex was wealthy, you may want to hold off on the nuptials until you pass age 60. That way, you can get spousal benefits in retirement of 50% of your ex's benefit amount, and if he or she expires before you, you'll get the full spousal benefit too.

**15. Higher earning spouses should delay collecting for the sake of their significant other**
If you retire early, you lock in a low retirement benefit amount, and that's all your spouse will get for life if you die. On the other hand, if you don't retire early, but should

happen to die before reaching full retirement age and filing for your benefits, your surviving loved one will nonetheless receive a widow's benefit of whatever your full-retirement benefit would have been at 66.

**16. Medicare Part B can pose risks when it comes to delaying filing for Social Security beyond 66**

One potential problem with delaying collecting Social Security beyond 66 is that Medicare Part B costs can rise considerably faster than inflation. For people with modest taxable retirement income, Medicare Part B premium increases are limited by Congress to the increase in Social Security benefits in a given year. If you are deferring collecting those benefits, and Part B costs jump, that jump is permanent and you'll be paying it, and incremental future increases, for life. If you had already been collecting Social Security, the Part B increase this year would have been limited to just 1.7%—the amount Social Security benefits were raised.

**17. Spousal and survivor benefits are calculated based upon a spouse's full-retirement benefit amount**

There is no advantage to be had in delaying collecting either of these types of benefits beyond your own reaching of full-retirement age.

**18. Both spouses can draw spousal benefits on the other's account**

In cases where both spouses have similar earnings histories, and are expecting to receive similar benefit payments, it could be advantageous for each to file for spousal benefits on the other spouse's Social Security account, allowing both of them to postpone collecting on their own accounts until age 70.

Hopefully, this information gives you an idea of the power of making sure your Social Security claiming strategy is one you take seriously. There are thousands of calculations to be made to see which of the 567 different claiming options are best for you. Make sure you are working with a Retirement Income Professional that works with one of the Social Security Planning software programs.

You could run a quick analysis for free on ours at www.MaxMySocialSecurityBenefit.com. It tells you what your claiming strategy would give you and lets you know how much in Social Security Benefits you are likely giving up by not claiming your Optimal Claiming Strategy. If you'd like to then see what the optimal claiming strategy looks like you can request it there.

We also have an FREE Online, On-Demand Workshop "The Smart Ways to Boost Your Social Security Benefits," you can register for at www.MaxMyRetirementPaycheck.com. You'll find much more in depth information there as well as options to make sure you are implementing your Optimal Social Security Claiming Strategy.

If you have any questions call my direct line at 816.582.5532 or email kurt@KJFinancialOnline.com. If you'd like to schedule a No Cost or Obligation Online Social Security Optimization Strategy Session at www.meetme.so/KurtJackson.

Thanks again,

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