

# Social Security questions answered

This isn't your parents' Social Security! Unlike those who came before them, individuals in, or approaching, their 60s are faced with challenging questions that need to be answered before they make their Social Security election.

## Will Social Security run out of funds?

Baby boomers are in their peak earning years and the system is collecting substantially more income than is being paid out in benefits. Right now (even with 2011's 2-percent reduction in employee contributions) there is a great deal of money flowing into Social Security. By 2016, the Social Security Trust Fund is expected to hold at least \$3 trillion.

With the start of baby boomers retiring, however, Social Security annual costs are expected to exceed income in 2016. Currently there are enough reserves so the system should be able to pay 100 percent of promised benefits until at least 2035.

## When should you apply for Social Security?

Deciding when to apply for benefits is very important and also very complex. This decision can make the difference of thousands of dollars over your lifetime. Be sure to do your research and, hopefully, work with a planner that specializes in Social Security planning.

Consider these factors when deciding to apply:

- Your health and, if married, the health of your spouse
- Life expectancy based on health, family history and other important factors
- Expenses and income needs
- Whether or not you plan to work
- Survivor's needs and age difference

## Strategies

People have worked long and hard strategizing ways to maximize benefits. The Center for Retirement Research at Boston College has presented these strategies:

1. "Claim and Suspend," also known as "File and Suspend."

The higher-earning spouse applies for his benefit at full retirement age and requests that it be suspended. The lower-earning spouse then files for spousal benefit and the higher-earning spouse begins benefits at age 70 in order to receive the maximum annual benefit.

2. "Claim Now, Claim More Later."

Your local Social Security office will be a great source of information, although it may not be well



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versed in this strategy. At full retirement age, the higher-earning spouse applies only for his spousal benefit. (His spouse must already be receiving benefits on her record.) When he turns 70, he files for his own benefit, which will include the maximum delayed credits.

3. Another strategy is the "Do Over."

For years, the Social Security Repayment Provision allowed retirees who had started taking their benefit to repay the entire amount they had already taken in order to have their future payments recalculated to receive a higher amount. However, that deal (which likely would have benefited the wealthy) was revised on Dec. 8, 2010, so that the reversal can only occur within the first 12 months of receiving benefits and a recipient can only reverse their decision once. The good news is that the new rules will not effect survivor or disability benefits.

Survivor payments are another key benefit of Social Security. If you die, your spouse and dependent children may receive benefits based on your work record. It provides an automatic safety net for your family.

Survivor benefits are critically important for married retirees. (They even may apply to divorced retirees.) The surviving spouse can switch to the higher of the two benefits. This is why maximizing benefits of the higher earning spouse is very attractive, especially if the lower earning spouse has a longer life expectancy. The strategies discussed above can be instrumental in helping to maximize the survivor benefit.

All of your retirement resources should be coordinated to give you the income you need for the rest of

your life. It's important to take into account your pensions, IRAs and 401(k)s, and overall investment portfolio when strategizing the best way to help maximize Social Security benefits.

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Put away as much of your earnings as you can into a 401(k) or IRA. It's more challenging when you enter the distribution phase. That's when it comes time for all your retirement and investment dollars to provide you income that doesn't run out during your life.

Social Security is a significant part of this planning. Your comprehensive financial plan should coordinate Social Security with your other resources to give you the stability and security you deserve.

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