# [The Best Time to Collect Social Security](https://www.fedsmith.com/2019/02/05/best-time-collect-social-security/" \o "Permanent Link to The Best Time to Collect Social Security" \t "_blank)

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Collecting Social Security at the right time can have a big impact on retirement. Many people could benefit by delaying Social Security past the age of 62, however, according to the Social Security Administration data shows that only 31% of those collecting benefits are collecting their full benefit.

To be clear, collecting Social Security is a decision that is going to be different for everyone. It may be best for one person to collect at 62 and another person to wait until the age of 70. A number of factors need to be evaluated to determine your ideal collection strategy.

First, some social security basics:

         Individuals with 40 or more credits qualify for benefits based on their own earnings record.

         Married individuals can collect based on a spouse’s earnings history (called spousal benefits).

         There are additional options for divorced individuals, widows and widowers, and individuals born on or before 1/1/1954.

## Delay or Collect now?

To start with, it is important to understand the consequences of collecting early and the benefits of delaying.

Full Retirement Age (known as FRA) is that age at which you can collect your full benefit. That age is anywhere from 66 to 67 depending on your age. Below is a table that shows the reduction in benefits for collecting early (Source: Social Security Administration).

|  |  |  |
| --- | --- | --- |
| **Birth Year** | **FRA (Full Retirement Age)** | **Percent Reduction at 62** |
| 1943-1954 | 66 | 25% |
| 1955 | 66 and 2 months | 25.83% |
| 1956 | 66 and 4 months | 26.67% |
| 1957 | 66 and 6 months | 27.5% |
| 1958 | 66 and 8 months | 28.33% |
| 1959 | 66 and 10 months | 29.17% |
| 1960 or later | 67 | 30% |

Choosing to delay social security past FRA will increase your benefit by 8% per year (or .667% per month) until the age of 70. For a person with an FRA of 66, delaying until the age of 70 will provide a benefit increase of 32%. There is no increase in benefits for delaying past the age of 70.

The spousal benefit reduction for a person with an FRA of 66 is 30%. It is also important to understand that there is no increase in spousal benefits past FRA.

## Questions to ask yourself about when to take social security

The following questions can help you gain a clearer understanding of when to collect Social Security.*They won’t provide a defined collection strategy but should help you understand if you should collect early or delay.*

## What is your income?

Are you still working at the age of 62? If you collect early and have an earned income over $17,640 in 2019, your benefit will be reduced by $1 for every $2 that you make over the $17,640 limit. This is called the Social Security earnings test and applies to wages until you reach Full Retirement Age (FRA). It does not apply to pensions, Social Security payments, or investment income.

## How is your health?

Your health is an obvious factor when it comes to collecting SS. Delaying is more beneficial for individuals with a longer life expectancy. This one is very simple – the better your health, the greater the benefit of delaying Social Security.

If your health is poor, it may still be a good decision to delay benefits so that a surviving spouse may collect a larger survivor benefit.

## How much does the survivor benefit matter to your family?

Survivor benefits are often ignored when it comes time to collect Social Security, but they should be one of the most important criteria.

If a married retiree dies, their spouse is entitled to the higher of the deceased spouse’s Social Security benefit or their own benefit. If you decide to collect before FRA, you lock in a lower benefit for the rest of your life and a lower benefit for your surviving spouse.

Collecting at FRA will cause your benefit to be reduced by at least 25%, leaving you with 75% of your benefit at FRA. According to the rules, your spouse would be entitled to their own benefit or a step up to your benefit, however, the minimum benefit that a surviving spouse will receive is 82.5% of the deceased spouse’s FRA. So in this case, the surviving spouse would be entitled to his or her own benefit or 82.5% of the deceased spouse’s benefit.

To better understand survivor benefits lets look at two examples.

### Example #1

Joe and Mary are both age 66. Joe’s benefit at FRA is $2,000 and Mary’s is $1,200. Mary decided to collect at 66 but Joe delays to age 70 mainly for the survivor benefit increase of 32%. If Joe collected at 66 then Mary would be entitled to Joe’s benefit of $2,000 at his death, but delaying until age 70 increases his benefit and Mary’s survivor benefit to $2,640.

### Example #2

Joe decided to collect early at age 62 giving him a benefit of $1,500 (75% of his benefit at FRA from the example above). At Joe’s death, Mary will receive $1,650 which is 82.5% of Joe’s benefit.

Survivor benefits are very important to consider before making a collection decision, especially when one spouse has a higher earnings history and a pension such like a FERS annuity.

## Is it possible to do a restricted application?

This is a benefit only available to individuals born on or before 1/1/1954. It allows one spouse to file a restricted application and collect based on their spouse’s earnings history while allowing their own benefit to grow.

Restricted applications are a creative strategy that allows married couples to increase the benefits they receive from social security. If you find yourself in this situation it would benefit you to become familiar with them.

Let’s go back to Joe and Mary for an example.

### Example of restricted application

If Mary decides to collect at the age of 66, Joe can file a restricted application and collect only on Mary’s earnings history. This will give Joe a benefit of $600 a month while allowing his own benefit to increase by 8% a year. Then at age 70 Joe can switch to his own benefit of $2,640.

## What are your feelings towards guaranteed income?

The answer to this question may have a big impact on your collection strategy. Social Security is a *guaranteed* income stream that provides *guaranteed* increases.

Here’s where you’ll want to take a look at the bigger picture and project your income and investment strategy. When doing this,  it is a good idea to quantify the amount you expect to get out of social security, as discussed in [this article](https://bobbfinancial.com/blog/value-of-your-fers-annuity-in-relation-to-tsp). Delaying your benefit past the age of 62 will give you an annual increase of 5-6% until FRA and 8% after FRA, along with cost of living adjustments.

Where can you find a guaranteed investment that provides benefits like that? If there is an investment that provides similar benefits, I am not aware of it. Therefore, if you are a conservative investor it makes even more sense to delay collecting so your benefit can increase.

Thank You

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