

## Social Security: how filing age impacts the benefit amount

### Kim King

#### Age 60

*A college registrar with one daughter. She plans to retire no earlier than 65, but she would like to start taking Social Security at 62 and use the money for her daughter's college costs.*

### Brianna King

#### Age 17

*Kim's daughter, who plans to take advantage of the free tuition for family members at Kim's college and then enroll in an MBA program.*

## Case Study

"I plan to start taking Social Security as soon as I can. I could really use the extra income."

Kim King has held the same job as a college registrar for 20 years. At 60, she still enjoys the work and the students and particularly loves reading the names at commencement every year. She earns a good salary (with raises most years) plus generous benefits that include free tuition for family members.

Kim never married but became a single mother later in life. Her daughter, Brianna, will graduate from high school next year and intends to use the free tuition Kim's college provides. Kim plans to continue working, read off Brianna's name at her graduation (a long-held dream of hers), then retire. She wants to help Brianna pay for her MBA, too. Kim contributed to a 529 plan for Brianna until she realized Brianna would qualify for free tuition.

Kim's parents are both healthy in their mid-80s and her grandparents on both sides lived well into their 90s. Kim is in excellent health, regularly swimming laps after work and taking long bike rides most weekends (often with Brianna).

At her annual meeting with Rhonda Fishman, her financial professional, Kim discusses her plan for helping Brianna – a plan that includes taking Social Security as soon as she can, at age 62, and putting that money toward Brianna's education expenses.



Social Security

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# A Social Security strategy

Rhonda realizes she has neglected to discuss a Social Security filing strategy with Kim, so she makes a point of spending time exploring the most important considerations that should go into Kim's filing decision. Rhonda confirms that Kim could start taking Social Security benefits as early as age 62, but that her full retirement age (FRA) is 67. She walks Kim through what this means and what her options are.

## Filing early

If Kim wishes, she can file as early as 62. However, because she hasn't reached her FRA yet, she will receive a permanently reduced benefit – up to 30 percent less than if she waited until FRA. That benefit will be subject to both a temporary reduction (based on earned income) and partial taxation. Using Social Security to cover college expenses might be helpful, but Kim should consider all her options before deciding.

## Filing at FRA

If Kim waits until 67, she will receive her full retirement benefit. There will be no permanent reduction for filing early and no temporary reduction based on earned income if Kim is still working. Kim could use the 529 savings, which have continued to grow tax deferred, for many types of education expenses.

## Filing late

Rhonda explains the benefits of waiting even longer to file. For each year Kim delays filing past FRA (up until age 70), her benefit amount will increase by 8 percent. Securing a permanently higher benefit amount could prove helpful later in retirement, especially considering the likelihood of Kim living into her 90s.

### THE MORAL OF THE STORY

**The question of when to claim Social Security benefits is not as simple as it may first appear. Your filing age will permanently affect your benefit amount, which makes it an extremely important decision. While waiting until age 70 will secure the highest benefit, this may not always be the best answer. To determine the timing that's best for you, work with a financial professional and/or Social Security expert to consider income needs, retirement assets, health, life expectancy, plans for working and coordination with a spouse (if married).**

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