IS IT WORTH IT TO DELAY SOCIAL SECURITY BENEFITS?

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Many individuals who are planning for retirement consider delaying their social security benefits. Some people believe that delaying benefits will result in higher payments. Other individuals believe that such delays do not lead to a significant increase in benefits over time. If you are assisting clients determine whether or not to delay social security benefits, you will need to weigh a number of factors.

First and foremost, you will have to help your clients decide how significant social security income will be given their particular situation. Individuals who will rely entirely on social security benefits for retirement income may need to consider this decision more carefully than those individuals who will also receive pensions or collect payments from a 401 (k) account.

You will need to keep other factors and scenarios in mind as you advise your clients regarding their social security benefits. Keep the following information in mind when assisting such clients with their estate planning efforts. Remember that the full retirement age may vary from client to client.

The Pros of Delaying Social Security Benefits

The majority of individuals are eligible to collect full social security benefits between 65 and 67 years of age. Some individuals choose to collect benefits as early as 62 years of age. Other individuals choose to delay benefits payments until they are 70 years old. The advantages of delaying benefits can be significant.

Individuals who delay receiving social security benefits generally receive larger checks than those individuals who collect benefits as soon as they reach full retirement age. Those individuals who delay their social security benefits until they are 70 years of age will receive between a 4 and 8 percent overall increase in their yearly benefit payouts. Information about the exact amount of an increase can be found on the **Social Security Administration** website.

Your clients should carefully weigh whether or not they will receive a significant increase in benefits if they delay social security payments. Individuals who are not expecting large social security payouts will not generally find it beneficial to delay payments. However, if an individual is expecting to receive a significant monthly payout, delaying benefits may make good financial sense.

Delaying social security benefits can be a good way to save money without significant risks. Many individuals view delaying social security benefits as a low-risk way of saving money. The 4 to 8 percent increase that an individual will receive when they delay benefits can be viewed as a sort of interest earned on an overall investment in the social security system. Again, it only makes sense for individuals to delay social security benefits for savings reasons if they stand to receive a significant amount of money.

Individuals who are able to work until they are 70 may be able to increase their overall pensions and *receive increased social security benefits if they wait to collect.* Individuals who are in good health and do not work in physically demanding jobs may be able to increase overall 401(k) and pension payouts if they delay retirement until age 70. For such individuals, delaying social security benefits also makes sense. They will receive larger benefits from the Social Security Administration (SSA) *and* will receive larger checks from private retirement funds as well.

Individuals who earn more than the allowed retirement income while collecting social security benefits will be penalized if they do not delay collection. If your clients are gainfully employed while receiving social security benefits, they may be penalized for exceeding the allowed amount of retirement earnings. Check with the SSA to be sure that you know how much your clients can earn *before* being penalized. Advise clients who earn more than the maximum amount to delay social security benefits collection until they retire.

The Cons of Delaying Social Security Benefits

Many financial representatives who have weighed the pros and cons of delaying social security benefits payments believe that delaying payment does *not* result in significant increases in overall payouts over an individual's lifespan. Be sure to keep the following cons in mind when advising your clients. It is important to weight this information in light of a client's overall health and financial situation.

Individuals who delay social security benefits may receive lower overall benefits payments over the course of their lifetimes than those individuals who collect benefits at full retirement age. It is important that you help clients realistically evaluate their overall health and life expectancy when deciding whether or not they ought to delay social security benefits payments.

If your clients are in poor health, delaying benefits collection simply does not make sense. If a client delays benefits until age 70 and passes away at age 75, he or she will collect significantly less money overall than individuals who began collecting social security benefits at age 62 and passed away at age 75.

Individuals who are planning on putting social security benefits into a savings account to pass onto their family members should carefully consider how delaying benefits will affect the overall amount of money they collect from the SSA. You should prepare a spreadsheet that compares overall payouts so that you can best help clients make a decision about when to begin collecting social security benefits.

Depending on the industry and position in which an individual worked, delaying social security benefits may not result in significant increases in overall payouts. Individuals who have spent the majority of their adult lives working part-time or who do not earn a significant amount of money from their jobs don't stand to gain much from delaying benefits collection. Be sure to carefully evaluate industry-specific information and request a benefits estimate from the SSA when helping clients in such situations make a benefits collection decision.

Clients who don't have significant financial resources may be unable to survive without social security benefits unless they begin collecting them at full retirement age. Many older individuals are simply unable to wait until age 70 to collect social security benefits. It's important that you help your clients accurately predict how much money they will need to survive on a monthly basis *before* making a decision about collecting social security benefits.

Clients who don't have significant financial resources may be unable to survive without social security benefits unless they begin collecting them at full retirement age. Many older individuals are simply unable to wait until age 70 to collect social security benefits. It's important that you help your clients accurately predict how much money they will need to survive on a monthly basis *before* making a decision about collecting social security benefits.

Social Security Benefits: The Bigger Picture

You should be sure to remind your clients that they will not be able to change their minds once they have begun collecting social security benefits. It is important to carefully weigh benefits collection options *before* reaching retirement age. Careful planning is essential to making a good decision regarding whether or not an individual should delay collecting social security benefits.

As a financial adviser, you should be sure to prepare accurate and in-depth income projections for your clients. Many individuals will not truly understand the positive and negative effects of delaying social security benefits payments without such information. Remember that you must also help clients weigh difficult factors such as their personal health and overall financial savvy when making a social security benefits collection decision.

One of the toughest factors to weigh when making a social security benefits collection decision is *breakeven age.* The *breakeven age* is the age at which total benefits payouts will be equal for individuals who began collecting benefits early and those individuals who delayed collection of benefits. Experts estimate that the breakeven age for most individuals is 85.

In a sense, your client is making a gamble when deciding whether or not to delay benefits collection. In order for this decision to result in a higher overall benefits payout, your client will need to reach and exceed the breakeven age. It can be very difficult to include life expectancy calculations when making social security benefits collection decisions.

Talk openly and compassionately with your clients about life expectancy. Encourage your clients to talk with their spouses and other family members about social security benefits decisions. Your clients may be more comfortable talking about their overall financial savvy and health with family members than they are discussing such topics with a financial adviser.

Remember that you should request comprehensive information about an individual's projected social security benefits from the SSA prior to making a final decision about benefits collection. Because regulations governing social security do change from time to time, it's important to request such reports before making a significant decision. This ensures that the information you have provided your clients is accurate. Even if you do not request a report from the SSA, your clients will automatically receive them on a yearly basis.