

Build Your Social Security Claiming Strategy – And Don't Guess, It May Cost You

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There are many articles written on the best and worst ways to claim your Social Security benefits. Should you claim early? Should you claim later? Should you keep working? All good questions; and for full disclosure, I have written many of those articles. But a particularly important question that should be addressed at the very beginning is why you should develop a plan to determine your Social Security claiming strategy.



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Before we address Social Security directly, I want to make clear that Social Security benefits are an integral part of your overall financial and retirement planning. Whether you have made a lot of money or not, I have not met too many people that feel they are not entitled to receive their Social Security benefit. After all, most everyone pays into the system. The overall goal in the planning process is to maximize the higher-earner benefits, coordinate the benefits between the spouses, and maximize the survivor benefits.

Social Security is the only income stream that I know that is guaranteed by the federal government, is inflation protected, and lasts your entire life. Even though there are ongoing issues relating to the solvency of Social Security, it is not going to go away. Many think they should claim benefits early because Social Security will not be around. Let me throw this out, instead of claiming early, consider claiming benefits later. Why would you do that? If benefits are reduced in the future due to solvency issues, your reduction will not be as dramatic because the reduced benefit amount you will receive will be based on a higher current benefit because you waited. You must develop a claiming strategy with the facts as they are today. In all likelihood, the strategy will remain sound even with future changes.

Reasons to plan before taking benefits:

- The first reason you should plan is, so you do not make an emotional decision regarding your claiming strategy. Rather, make an informed decision based on the facts and circumstances!
- This is a one-time decision you must get right, and every situation is different. The differences in your claiming strategies could be as great as \$200,000.
- If you are married, the average couple will receive approximately **\$1,500,000** over their life expectancies, not a small amount. Having a defined strategy is essential.
- You should not make your decision in a vacuum. A married couple needs to make their decision using joint life expectancies, not look at each claiming decision in a silo.
- How does your claiming strategy fit into your overall retirement strategy?
- Does your claiming strategy meet your cash flow requirements in the future?
- How is your health and the health of your spouse? If you both expect to live to 80, you should think longer term versus shorter.
- How long do you plan on working? The annual earnings limitation of \$21,240 for 2023 applies if you have not reached your full retirement age.
- Do you have children under 18 or are still in high school who might be eligible for benefits?
- Do you have a child who was disabled before the age of 22?
- Do you have another government pension which may be subject to the Windfall Elimination Provision (WEP) or the Government Pension Offset (GPO)? If so, timing the receipt of that benefit in conjunction with your Social Security benefit is critical.
- And lastly, will your Social Security claiming strategy affect the payment of your Medicare Part B and D premiums due to the Income Related Monthly Adjustment Amount (IRMAA)?

I hope these important highlights will help clarify your decision-making process. Remember, take the wrong benefit at the wrong time, it is always smaller and forever. Getting it right the first time is your goal. Having the peace of mind that you have made the correct decision eliminates the fears and stress related with this decision.

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