

Personal Finance JUNE 24, 2015

Your financial planner: Happy birthday Social Security

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Social Security turns 80 years old this year. The Social Security Act was signed by President Franklin D. Roosevelt on August 14, 1935. And it's fair to say that he never could have foreseen how the program designed for old age, disability and survivors insurance has evolved over the years.

Social Security Administration data shows the average life expectancy for men reaching 65 has increased nearly 7 years since the program began, to age 84.3. Women reaching age 65 have seen their average life expectancy increase almost 7 years, to age 86.6. It's also worth noting that one out of every four 65-year-olds will live past the age of 90 and one out of 10 will live past 95.

In 1983, Congress addressed concerns about how the system could support seniors who were living longer by increasing the Full Retirement Age (FRA) from 65 to 67, staggered over 22 years. A baby boomer turning 65 this year will reach FRA at age 66. Individuals born after 1960 will reach FRA at age 67.

The change initiated some interesting opportunities. You can receive Social Security retirement benefits as early as age 62, but your benefit increases every year you wait. So, for example, a baby boomer who reaches FRA at 66 will receive only 75% of his full benefit if he claims at 62.

In addition, claiming your retirement benefits at 62 means that if you make more than a certain amount of money (\$15,720 this year), you will lose \$1 for every \$2 over the limit. After you reach Full Retirement Age, there is no limit to the amount of compensation you can make; your Social Security benefit won't be reduced.

Many people don't realize a portion of your Social Security retirement benefit might be taxed if your Modified Adjusted Gross Income exceeds a certain level. The amount depends on whether you file jointly or single and is indexed each year for inflation.

You can also benefit by waiting until after full retirement age to take your retirement benefit. Consider a woman who reaches FRA at age 66 but still is working, so she decides to delay taking her benefit. The amount she receives will increase 8% each year she postpones receiving her retirement benefit until she reaches the age of 70. There's no incentive for taking your retirement benefit after the age of 70.

It's also possible to file for Social Security benefits on a spouse. A person is entitled to either her benefit or an amount equal to 50% of her spouse's benefit. This can be claimed on a current spouse or a former spouse after divorce if the marriage lasted 10 or more years. Other conditions, such as remarriage, will be considered.

lled "File and Suspend" allows one individual to file but not take payments so
ication," might be a good choice for a couple where one individual wants to
delay taking his benefit (to get that 8% annual increase) while taking a spousal benefit.

Both of these Social Security retirement benefits can be tricky to understand and calculate, so the help of a Social Security agent or financial advisor could be helpful.

Have you wondered what happened to those Social Security statements you used to receive in the mail every year? They were mostly discontinued as a cost-cutting move four years ago, but now they're back—in a fashion. These days, persons not receiving benefits will receive statements when they reach the ages of 25, 30, 35, 40, 45, 50, 55 and 60. After the age of 60, you'll receive one every year.

The best way to check your Social Security benefit estimates for retirement, disability and survivor benefits is to go to the website, www.ssa.gov, and set up an individual account to give you online access to your record. While you're on the website, look around. There's some great information there and some it may sound familiar because I used it as a source for this article!

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