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*“Social Security is the single largest source of income for a majority of Americans over age 65, making up about 40% of the average retiree’s income. When to start receiving your Social Security benefits may be one of the biggest financial decisions you make in retirement.”*

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



## SOCIAL SECURITY– 70 IS THE NEW 65

(Originally Published in January 2015 Monthly Commentary)

Social Security is the single largest source of income for a majority of Americans over age 65, making up about 40% of the average retiree’s income. When to start receiving your Social Security benefits may be one of the biggest financial decisions you make in retirement. The age at which you elect to start has a tremendous impact on your monthly income and lifetime benefits. Currently, the majority of retirees start social security at 62. In many cases, though, this is not the best choice.

**There are some compelling reasons to wait until 70 to start receiving Social Security.** Social Security is probably the best lifetime annuity you can get. The benefit amount is calculated based on two primary factors—your highest 35 years of earnings and the age you elect to start receiving benefits:

- At full retirement age (“FRA”), you receive 100% of your calculated benefit.
- If you start earlier than FRA, the monthly payout is lower to compensate for the additional time you will receive benefits.
- *If you start later than FRA, you receive an 8% higher monthly benefit for each year you delay.*
- You can’t earn delayed credits beyond age 70; therefore there is no advantage to waiting until after age 70 to start collecting benefits.

First you need to know your full retirement age (FRA). Consult the chart below:

<u>Year of Birth</u>	<u>Full Retirement Age</u>
• 1943-54	66
• 1955	66 and 2 months
• 1956	66 and 4 months
• 1957	66 and 6 months
• 1958	66 and 8 months
• 1959	66 and 10 months
• 1960 and later	67

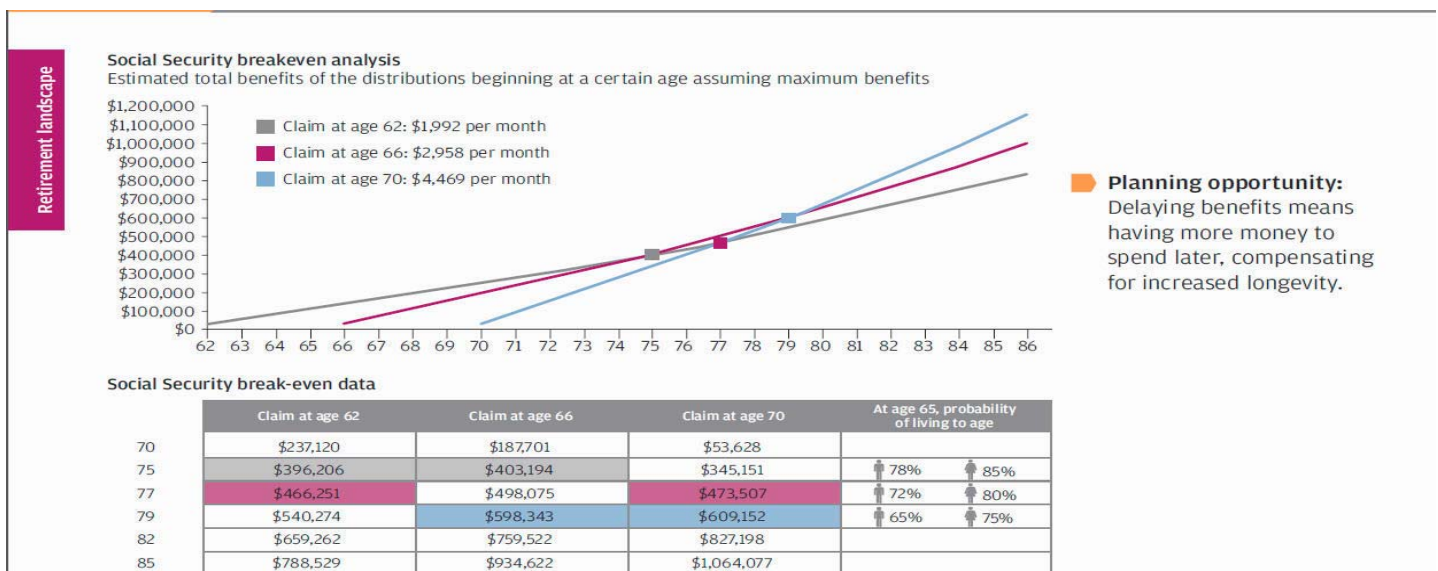
What percent of your benefit do you get if you apply early?

<u>Apply at age</u>	<u>If FRA= 66</u>	<u>If FRA = 67</u>
• 62	75%	70%
• 63	80%	75%
• 64	86.7%	80%
• 65	93.3%	86.7%
• 66	100%	93.3%
• 67		100%

What if you wait beyond full retirement age to file?

<u>Apply at age</u>	<u>If FRA= 66</u>	<u>If FRA = 67</u>
• 66	100%	
• 67	108%	100%
• 68	116%	108%
• 69	124%	116%
• 70	132%	124%

For an illustration of this concept, see the chart from J.P. Morgan below. It shows the best strategy based on how long you live. In particular:



## Our Services

### Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

### Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services: Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained several outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

- If you die before age 75, the best strategy would be to start collecting benefits at age 62.
- If you die between age 75 and 77, the best strategy would be to start collecting at full retirement age (i.e. 66 or 67).
- If you live past age 77, it would be best to wait until age 70.

The longer you live past age 77, the greater will be the benefit of waiting until age 70 to start collecting benefits. For instance, as shown in the chart above, if you live to age 85, claiming at 62 would yield \$788,529 in lifetime benefits, compared to \$934,622 at FRA, and \$1,064,077 at age 70.

*For a married couple, it may be even more important for the spouse with higher benefits to wait until age 70 to start.* The reason is that if the spouse with higher benefits dies first, the surviving spouse will be able to switch to receiving payments based on 100% of the deceased spouse's benefits.

### **What else can I do to increase my benefit?**

Benefits are determined based on your highest 35 years of earnings. The earnings from earlier years are adjusted to reflect cost of living changes. If you have less than 35 working years, zeros are figured into the formula for the non-earning years. Strategies:

- If you are at your peak earning years at the end of your career, each additional year you work will allow you to replace lower earning years with earning at your peak.
- If you did not work 35 years because you took time to raise children or for some other reason, you can replace the zero years with years that have income, increasing the amount of Social Security you will be entitled to.

Couples have other options for increasing their benefits. There are a number of strategies available, which will be discussed in a future MAM Monthly Commentary.