



## Retirement Planning

### The Secret About Social Security

Many people believe that once they hit age 62, they should immediately begin receiving social security benefits. Others have been advised to wait as long as possible before drawing distributions. This has become an even more difficult situation given the recent turbulent market conditions, which may have damaged other retirement savings. As you may have guessed, there is no one right answer. There is, however, a right answer for you.

### Life expectancy and income needs

Depending on your health, life expectancy, retirement goals, and sources of income, you may want to receive social security benefits beginning at your early retirement age (62), your full retirement age (between 65 and 67), or even age 70. Because there is no mandatory age to begin taking benefits, determining when to start receiving social security is a critical component of retirement planning. The two most important factors in making this decision are (1) your life expectancy and (2) what you plan to do with your social security income.

If you decide to spend your entire social security check every month and think that you may not need the funds past age 70, you may want to begin drawing on social security at the earliest possible date. Be aware, however, that cashing in early permanently diminishes your payout rate, while the longer you defer receiving social security payments—up to a certain point—the bigger the monthly check will be. Waiting to full retirement age, which ranges from 65 to 67 depending on the year of your birth, ensures that you will receive a greater monthly benefit, while delaying until age 70 ensures that you will receive the maximum possible benefit. There is no benefit to waiting past age 70.

For that very reason, if you believe that you will live well into your 80s, it might make sense to wait until a later date to begin receiving benefits. On the other hand, if you plan to invest your social security income,

it pays to begin taking distributions at the earliest possible date. If invested wisely, your modest social security checks could grow into a substantial sum.

### **Leveraging social security for other needs**

Another way to invest your payments if you don't need them for regular income is to purchase insurance with your excess social security payments. This approach may be beneficial for individuals who lack long-term care insurance and believe that they will require assisted living, full-time aid, or a nursing home sometime in the future. Used this way, your social security checks could save you thousands of dollars, helping to protect your assets and ensure quality medical services.

The Social Security Administration website, [www.ssa.gov](http://www.ssa.gov), is a valuable resource to help determine when you should begin taking distributions; you may find the table of payout reductions at [www.ssa.gov/retire2/agereduction.htm](http://www.ssa.gov/retire2/agereduction.htm) particularly interesting. As you know, many people are working well past the typical retirement age, regardless of their income needs. This may prove an option even if you could readily take your social security benefits early.

As you plan for retirement, it is wise to consult with a trusted financial professional to determine when you should begin receiving social security benefits and how (and whether or not) you should invest them, as well as to assess your income flow after the last paycheck. For today's retirees, social security will almost definitely be able to provide a monthly distribution. The question that remains is when the payout should begin.

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