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Client Advisory

Estate Planning Practice Group

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When Should I Draw My Social Security Benefits?

When we approach our sixty second birthday, one of the many decisions we must make is whether to start receiving Social Security early, or whether we should wait until we reach normal retirement age at sixty-five. If you elect to take Social Security benefits early, the amount of the monthly benefit is permanently reduced. However, you receive benefits over a longer period of time in exchange for the reduced amount. So what should you do to maximize your benefits; start taking benefits early, or wait until normal retirement age?

The answer depends on a number of factors, the most important of which we usually do not know: How long are we going to live? If you live into your eighties and nineties, waiting until normal retirement age and receiving a larger monthly check will allow you to draw more benefits over your lifetime. However, if you only live into your seventies, you will almost certainly be better off by starting to draw benefits as early as possible.

For example, if I were turning sixty-two this year and earned \$50,000 per year,

my monthly benefit would be about \$961 per month. If I waited until age sixty-five and eight months (my normal retirement age), my benefit would increase to \$1,313 per month. By drawing benefits early, I would collect \$40,362 before reaching full retirement age ($\$961 \times 42 \text{ months} = \$40,362$). It would take about ten years, or until age seventy-five and eight months, for the extra \$352 I would receive by waiting until full retirement age to catch up. This scenario assumes that I stuffed the \$40,362 in my mattress rather than putting it in the bank and earned at least nominal interest. If I had invested the benefits, my break-even age would be pushed back even later.

The decision to begin receiving benefits is a personal choice, but being conservative, I tend to think that having the \$40,362 bird in my hand is better than going after the two in the bush. Congress cannot take the money back after they pay me, but they could reduce my future benefits. If you want to learn more or calculate your own benefits, the Social Security Administration has information and benefit calculators on its website at <http://www.ssa.gov>.

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