

Wrong Reason #1 To Take Social Security Early



William Baldwin Senior Contributor ⓘ
Investing



Shutterstock

Unemployed at 62? Do something about that before starting benefits.

You get the highest possible Social Security benefit if you wait until you're 70 to take it. Only 3% of retirees do so. More than a third sign up at the earliest age, 62, and wind up with a sharply reduced monthly benefit. Why

is that?

In many cases because they aren't employed. They don't know how to make ends meet without the immediate cash.

Most of these early retirees are making a mistake. They're walking away from financial security for their later years. To preserve it they should get a job, any job, and postpone Social Security benefits.

If your earnings history qualifies you for \$1,800 a month at age 62, it's good for a \$3,168 benefit if you delay your start date until 70. That incremental \$1,368 is money you'll really need in your late 70s and 80s, when you're too old to work.

You might assume that the government has set up a fair trade-off between your starting age and your payment. With delay, you collect more per month but for fewer years. You think, in other words, that if you live to your life expectancy (late 80s, for someone now 62) you'll get the same total whenever you begin benefits.

Today In: [Investing](#)



But the trade-off isn't fair. It penalizes early claimers.

I have a calculator that pencils in the numbers. Go to **[What's Your Social Security Benefit Worth](#)** and download the spreadsheet. Fill in age, gender, health status and projected benefit at "full retirement age" for you and your spouse.

For people now retiring, the full retirement age is between 66 and 67. You can find the projected benefit by logging into your account at the Social Security Administration.

The calculator compares two claiming strategies. One has you and your spouse claiming as soon as possible: age 62 for retirement or 60 for a survivor benefit. The other strategy is to claim late. It has the higher earner waiting until 70 to start and the lesser earner in the couple picking either 66 or 70 as a starting age, whichever is more likely to yield a better lifetime total payout.

The spreadsheet figures out the present value of the two income streams, discounted for interest rates and the probabilities of survival to different ages. There's usually a wide gulf between the two numbers. Claiming early is likely to be worth \$100,000 to \$200,000 less than claiming late.

The calculator takes your health into account. But you'll be surprised to see that being in poor health doesn't necessarily make it a good idea to start early, at least if you are the higher earner in a couple. Remember that your surviving spouse

picks up your benefit when you're gone. Delaying to age 70 means means your loved one won't be starving 20 years from now.

While the majority of early claimers are pressed financially, a few are comfortable yet think they can do better by getting benefits early and investing the cash. They're making a mistake, too. See [Wrong Reason #2 To Claim Social Security Early](#).

Whichever group you're in, check out the numbers. Before marching into a Social Security office to start benefits, see if you're leaving \$100,000 on the table.



William Baldwin

Follow

I aim to help you save on taxes and money management costs. I graduated from Harvard in 1973, have been a journalist for 45 years, and was editor of Forbes magazine fro... [Read More](#)