

Uncle D's Take On It!

Things Are Only Good Or Bad By Comparison.

TAKING SOCIAL SECURITY EARLY
STARTING AT 62 OR WAITING UNTIL LATER?



That Is The Question.

Social Security and Knowing Your Options.....

Most people believe that when they reach the age to start their Social Security that it is a no brainer & an automatic deal.

Well, nothing could be further from the truth.

In this issue of *Uncle D's Take On It!* I will try to provide you with some clarification & a better understanding of your options for taking your Social Security benefits.



**IT'S NEVER TOO
LATE TO START!**



QUESTIONS/THOUGHTS
Contact me any time
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**HERE'S TO FAMILY,
FRIENDS AND A FINE
BOTTLE OF WINE!**

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How Does Social Security Work?

Here are the basics you need to know about how Social Security works.

Social Security is designed to provide retirement support for American workers who pay into the system. It is funded through FICA taxes (FICA stands for the Federal Insurance Contributions Act). The Social Security Administration levies a 12.4% tax on earnings (6.2% is paid by you, and 6.2% is paid by your employer) to fund Social Security benefits.

How does Social Security work?

Social Security works by pooling mandatory contributions from workers into a large pot and then paying out benefits to those who are eligible for them. When you work, you pay into the system by having a portion of your earnings taxed and earmarked for Social Security. For 2017, the maximum taxable earnings limit is \$127,200. Later on, when you become eligible for benefits, you get to *collect* them instead of paying for the benefits of others.

The Social Security Administration reports that \$0.85 of every Social Security tax dollar goes to a trust fund that pays monthly benefits to retirees and their families, as well as the surviving spouses or children of eligible recipients who have died. The remaining \$0.15 goes toward benefits for people with disabilities and their families.

Who can collect Social Security?

You can collect Social Security once you reach a certain age or become disabled (note: the SSA has a strict definition of "disability," and benefit applicants must go through a rigorous disability determination process). You may also be able to collect survivor benefits if you're the spouse or child of a recipient who has passed away.

In order to be eligible for Social Security benefits, you must earn enough "credits" during your working years. In 2017, you'll receive one credit for every \$1,300 in earnings, up to a maximum of four credits per year. These credits will count toward your future eligibility even if you switch jobs or take a break from the workforce. The dollar amount needed to earn one credit is usually raised annually. If you were born in 1929 or later, you need 40 credits, or 10 years of work, to qualify for retirement benefits. You typically need fewer

3 Social Security Tips That Could Earn You Thousands

Want more money out of Social Security?

Here's how to get it.

Social Security provides key benefits to millions of retirees, many of whom wouldn't manage to pay their bills without it. But what you may not realize is that the average recipient today gets just \$1,360 in monthly benefits -- hardly enough to cover even a modest lifestyle. If you're looking to get more money out of Social Security, here are a few things you can do to make that happen.

1. Wait until you turn 70 to file for benefits

Your Social Security payments are mainly determined by how much you earned during your top working years. Once you reach your full retirement age, you'll be eligible to collect your monthly payments in full.

If you were born between 1943 and 1954, your full retirement age is 66

If you were born in 1960 or later, your full retirement age is 67. And if you born after 1954 but before 1960, your full retirement age is somewhere in between.

That said, you're not required to claim your benefits when you reach your full retirement age. If you hold off, you'll get an 8% boost for each year you delay up until age 70, at which point there's no further incentive to wait. This means that if your full retirement age is 66 but you file for

benefits at 70, you'll get a 32% benefit increase that will remain in effect for as long as you collect those payments.

While waiting on Social Security can put thousands of dollars back in your pocket over time, keep in mind that this strategy only works if you expect to live a long life. The reason? Though you'll increase your monthly payments by delaying Social Security, you'll also get *fewer* payments. And if you pass away before surpassing your breakeven age, you'll end up losing out.

As an example, imagine your full retirement age is 66 and your full monthly benefit amount is \$1,500. You could claim your benefits on time or hold off until 70 and raise them to \$1,980. In this case, your breakeven age will be 82.5 -- because at that point, you'll have collected a lifetime total of \$297,000 in either scenario. But if you only live until 80, you'll actually lose out on \$14,400 in lifetime benefits by filing at 70. While delaying Social Security can work out in your favor, don't chance it if you're not in good health.

2. Work longer

Your Social Security benefits are based on the average income of your 35 highest-earning years. But some people don't even spend 35 years in the workforce. Many, for example, take time off to raise children or care for family members. The problem is that for every year you don't work, you get a big fat \$0 factored into your weighted average. The benefit of working longer is that you'll get an opportunity to replace some of those \$0 years with actual earnings, thus boosting your benefits on a whole.

Even if you didn't take time off at any point during your career, most people earn more money later in life than they do during their first few years on the job. If your salary is at an all-time high and you keep at it a few more years, you'll raise your lifetime average earnings -- and your benefits.

3. Work and collect benefits simultaneously

Working and collecting Social Security at the same time allows you to double up on income -- and thankfully, there's nothing to stop you from doing just that. Once you reach your full retirement age, you can earn as much money as you'd like without seeing a reduction in benefits.

That said, if you *haven't* reached your full retirement age, you may lose a portion of your benefits initially depending on how much you earn. This year, you'll lose \$1 for every \$2 in earnings above \$16,920 -- unless you're reaching your full retirement age in 2017, in which case you can earn up to \$44,880 without facing a reduction, and you'll only lose \$1 for every \$3 over the limit. Although working and collecting Social Security prior to reaching full retirement age will reduce your benefits at first, you'll eventually get that money back (in theory): Once you hit full retirement age, your benefits will be recalculated to adjust for the amounts withheld.

credits to obtain disability benefits. If you're eligible for survivor benefits, then you'll receive a percentage of the original beneficiary's Social Security benefit. The amount typically falls into the 75% to 100% range.

When to claim your Social Security benefits

Even if you've accumulated your 40 credits, you can't start claiming retirement benefits until you're aged 62 or older, and the longer you wait to start collecting those benefits, the bigger the payout will be. If you wait to claim Social Security until you reach your "full retirement age" -- which is determined by the SSA and is 67 if you were born in 1960 or later -- then you'll receive your "primary benefit amount," which is the full monthly benefit you're entitled to based on your earnings record. The earlier you claim your Social Security benefits, the lower your monthly payment will be.

If you're receiving Social Security disability benefits at the time you reach your full retirement age, then your disability benefits will automatically convert to retirement benefits, but the amount won't change.

How much will I get?

Your Social Security retirement benefits will depend on how much money you earned during your working years and your age at the time you start collecting benefits. Similarly, your Social Security disability benefits are based on your eligible lifetime average earnings.

Will I be able to live off my Social Security benefits?

Your Social Security benefits are only designed to replace about 40% of your pre-retirement income. Most financial experts say you'll need about 70% of your pre-retirement income to live comfortably in retirement, so you have to take steps to bridge that 30% gap (or an even larger gap if you'd like to live in style).

Will Social Security even be around by the time I retire?

According to the Social Security Administration's latest report, the combined funds used to pay retirement and disability benefits are likely to be depleted by 2034. But that doesn't mean all is lost. The report also states that once those funds are gone, ongoing taxes should be sufficient to pay about 75% of benefits. So save aggressively.

A Strategy To Maximizing Your Social Security Income

Today, take control of one of the thorniest retirement subjects – your Social Security benefits.

Most people think the only decision they have when drawing Social Security is start drawing it right away or wait until their full retirement age. Most Americans aren't aware that they may be eligible to increase the amount of money they get from Social Security – either when they are first eligible at age 62, or later (as late as age 70), when their payments will be bigger.

But the truth is, married couples actually have 81 different ways they can collect Social Security.

Some of the approaches enable you to dramatically increase the amount you collect. The finance magazine Kiplinger's says you can bump up your payments by as much as \$100,000 over the course of your retirement. We want to make clear that we don't have any inside tips or secret information.

We don't work for the Social Security Administration (SSA), and were not affiliated with the federal agency in any way. What were going to explain is public information. We have spent time scouring the SSA's website and dozens of other publications to find the absolute best and proven ways to "boost" your payments. Today, we will detail one of the strategies for boosting your Social Security payments...

Social Security Secret No. 1

Claim Some Now... and More Later.

With this strategy, you and your spouse can start receiving Social Security benefits as soon as you are eligible. Then, using something known as the "Spouse Benefits" provision, you can claim a lot more money a few years later.

This strategy can boost your income from Social Security by more than 30%. Before we show you exactly how it works, you need to understand two things:

1. The longer you wait to collect, the more you will receive every month.
2. Your spouse can collect 50% benefits based on your work record.

Most people assume when they retire, they'll be collecting benefits based on their own work history. However, the government also offers "spouse benefits," which entitle you to collect a monthly check... worth up to 50% of whatever your spouse is collecting.

So here's what you can do...First, one member of the couple (let's say the wife) files for benefits as soon as she is eligible. Right now, that's at age 62. Simultaneously, the husband files for spousal benefits at 50% of hers. The husband does NOT file for his benefits when he is eligible... Instead, he waits to reach full retirement age (say 66). He delays filing for his own 100% benefits. The longer he waits to file, the more his benefits will be worth. Once the husband's benefits are maximized, he files for his own benefits. The wife is then able to "step up" her benefits to the higher payout. (She can collect her benefits plus file for the spouse benefits... up to the total amount that her husband collects.)

Here again: The wife files and the husband gets a spouse benefit. Then a few years down the road, the husband files and the wife gets a spouse benefit. It sounds a little confusing, we know, but it's definitely worth crunching the numbers.

This is the secret a husband and his wife, from Minnesota, used. The wife wanted to collect Social Security as soon as she was eligible, but the husband wanted to keep working until he was 70. So the wife filed for benefits. When the husband realized how the system works, he filed to get "spouse benefits," worth 50% of what his wife collects.

He never dreamed that he could draw spousal benefits. He submitted his application. And within 10 days, he had received a check for \$2,760 retroactive to February 2008. The husband and wife added an extra \$700 a month to their income... that's \$8,400 a year.

When the husband reaches age 70, he'll file for his own benefits. The wife will get the husband's spouse benefits. And they'll collect an even higher payout. What's also good is if the husband dies first, his wife will get a much bigger benefit than she would have received if they had both started collecting their Social Security as soon as they became eligible.

And as an added bonus, the spouse receiving spousal benefits can receive a check for up to six months of retroactive benefits... but the claim can only be filed after the recipient is 66 years old. Social Security won't pay retroactive benefits if you're younger than 66.

This means you can add another six months of payments (at 50% of the benefit) to your income. Just tell the Social Security representative you want to apply for retroactive benefits.

Does this strategy work for you?

You must be married. At least one of you must be healthy enough to delay claiming benefits until age 69. And both spouses must have an earnings history. The Boston College study found that the higher and more equal your earnings, the more you have to gain.

One thing to keep in mind: If you start collecting Social Security or spouse benefits before you turn 66, you're locking in a permanently lower percentage for your spouse benefits.

WHAT TO DO: If the numbers make sense, call the Social Security Administration's toll-free number: (800) 772-1213. Set up an appointment with a representative at your local Social Security office. Have them work through the possibilities with you, and take advantage of this extra money. To prepare for your visit, I recommend you read the SSA's site on how to apply for spouse's benefits.

Nine Things to Consider Before Signing Up for Social Security

Some retirees make benefit decisions without adequate information about their claiming options.

One of the most important retirement decisions you will make is when to sign up for Social Security. Here's a look at some of the important information you need to understand that could have a significant impact on how much you receive from Social Security.

The advantages of delaying claiming.

Social Security payments are reduced if you claim them before your full retirement age. Workers who sign up at age 62 will get 25 percent smaller monthly payments than if they wait until age 66. Monthly payments increase if you delay starting them past age 66 culminating in a 32 percent bigger benefit if you sign up at age 70. .

How a lump sum reduces your payments.

The Social Security Administration allows people who are at least full retirement age to take up to six months of retroactive benefits as a lump sum. Taking this lump sum is equivalent to claiming benefits six months earlier, and results in a permanent reduction in monthly payments going forward.

Temporary withholding if you work before age 66.

If you sign up for Social Security before your full retirement age and earn more than a specific amount, part or all of your Social Security benefit could be temporarily withheld. However, once you turn your full retirement age your benefit amount is increased to give you credit for your withheld benefit and continued earnings.

How many years of work are factored into payments.

Your Social Security payments are calculated based on the 35 years in which you earn the most. If you don't work for 35 years, zeros are averaged into the calculation and result in a smaller payout.

The options to claim spousal benefits.

Members of married couples are eligible to claim a Social Security payment worth as much as 50 percent of the higher earner's benefit, if that's more than they can get based on their own work record. But there are also several more complicated strategies some older couples can use to boost their payments, such as restricted spousal benefits or file-and-suspend.

When Social Security benefits are taxed.

Part of your Social Security income is taxable if the sum of your adjusted gross income, taxable interest and half of your Social Security benefit totals more than \$25,000 (\$32,000 for couples). And the portion of your Social Security benefit that is taxed goes up if these income sources top \$34,000 for individuals and \$44,000 for couples.

Your break-even age.

People who claim benefits at age 62 get reduced payments over a longer number of years, while those who start benefits at 70 get much larger payments later on in retirement. Once you live until a certain age – the break-even point – the lifetime payment amount will be equal, and if you live beyond that you will come out ahead by delayed claiming. "Break-even analysis can influence people to claim benefits earlier than they might otherwise, in part because people fear the potential loss of benefits if they die early more than they fear outliving their retirement savings. "Break-even analysis also ignores the insurance value of higher monthly Social Security benefits protecting against outliving one's other retirement assets, and the potential benefit to a surviving spouse."

The role life expectancy should play in your claiming decision.

Your life expectancy plays a big role in the optimum age you should sign up for Social Security, but this is seldom pointed out in SSA interviews. "Only twice in our 30 observations did family health and longevity arise and how it might factor into when to claim benefits, both times because the claimant raised the subject," GAO found. "Increasing life expectancy, along with increased likelihood of living to advanced age and resulting increased time spent in retirement, raise the potential cost to retirees of claiming early and receiving reduced benefits for life, especially if in these later years they have spent down other sources of retirement income."

Whether to sign up online.

The GAO observed the online application process, and found that it was more likely to include pertinent information than many face-to-face interviews. "Compared to the in-person process, online applicants have more consistent access to key information on the screen or through tabs and pop-up boxes as they complete the application," GAO found. "Furthermore, for both face-to-face and online application methods, we found claimants were sometimes provided information that could inadvertently influence them to claim earlier than they might have otherwise."

Seven Things to Know About Social Security Before You Retire.

Make sure you understand all your claiming options before you sign up.

Social Security is likely to be one of your most important sources of retirement income. But the amount you will receive can vary considerably based on when you sign up and your marital status.

Here are seven things you should know as you decide when to claim Social Security benefits.

1. Your full retirement age.

Your full retirement age is when you first become entitled to full or unreduced Social Security benefits. For example, if you were born before 1937, you can start collecting your full benefit at age 65. If you were born after 1960, you will have to wait until age 67. to collect your full benefit. For most baby boomers the full retirement age is 66.

2. What happens if you start benefits early.

You can start Social Security payments at age 62, but there is a catch. If you sign up for benefits before your full retirement age, your monthly payments will be permanently reduced. If your full retirement age is 67, starting benefits at age 62 will result in 30 percent smaller payments. This would reduce a \$1,000 monthly Social Security payment to \$700 per month. Those who sign up at age 63 will see their payments reduced by a quarter. Even claiming payments one year early at age 66 will result in 6.7 percent less every month.

3. How delayed retirement credits work.

If you delay claiming your Social Security benefit until after your full retirement age, you become eligible for delayed retirement credits. Delayed retirement credits increase your Social Security benefit by about .67 percent per month that benefits are delayed until age 70, or approximately 8 percent per year.

It's important to crunch the numbers before you decide when to sign up for Social Security. If you are very healthy, both of your parents lived into their 90s and you can afford to delay claiming, then you might come out ahead by signing up for Social Security at age 70. However, those who pass away before age 70 will obviously get nothing if they don't claim payments during their 60s. If you are married, your claiming decision might ultimately impact your surviving spouse if he or she outlives you.

4. Eligibility for spousal benefits.

Spousal benefits are paid to the lower earning spouse based on the other spouse's earning record. Spouses are entitled to an amount equal to up to 50 percent of the higher earning spouse's benefit, if that's larger than the payment based on their own earning record. You can also take spousal benefits early, but the payout is reduced for early claiming.

5. Benefits for ex-spouses.

Divorce doesn't automatically disqualify you from receiving spousal payments. If you were married to your ex-spouse for at least 10 years, you may be eligible to receive spousal benefits.

6. How the earnings test affects what you'll receive.

An earnings test is applied to filers who have not reached their full retirement age. If you work and file to receive benefits during the years before you reach your full retirement age, your Social Security payments will likely be reduced. Social Security temporarily withholds benefits if your earnings exceed a certain level. Social Security will deduct one dollar from every two dollars you earn above the annual limit of \$16,920 in 2017. For people who will turn 66 in 2017 there's a higher earnings limit of \$44,880 and the amount withheld is smaller. However, you will eventually get the money back. If some of your benefit is withheld because of the earnings test your monthly benefit will increase starting at your full retirement age.

7. Your benefits may be taxable.

If your only income is from Social Security, your benefit will probably not be taxable. However, if you have other retirement income such as 401(k) distributions, pension income, rental income, dividends, capital gains or income from tax-exempt bonds, there is a good chance that your Social Security benefit will be taxable.. If your adjusted gross income, nontaxable interest and half of your Social Security benefit totals more than \$25,000 (\$32,000 for couples), income tax could be due on half your Social Security benefit. If these income sources top \$34,000 (\$44,000 for couples) as much as 85 percent of your benefit may be taxable.

Why Taking Benefits at 62 May Be Smarter Than You Think.....

If you've been led to believe that waiting to apply for Social Security is always the best thing to do, then you need to read this.

Most retirees believe it's best to wait as long as possible before applying for Social Security. But is this really the smart thing to do? Surprisingly, the answer is often "no."

It's understandable if you're one of the many Americans who think it pays to wait, as the size of your monthly benefits does indeed depend on when you begin receiving checks. If you do so at the earliest possible moment -- that is, the month after turning 62 -- then your monthly take will be 25% to 30% less than it would have been had you waited until your full retirement age

Meanwhile, if you wait beyond your full retirement age, then you'll receive delayed-retirement credits that boost your benefit checks by 8% for every year you delay them up until age 70, when your benefits max out. The net result is that you could end up receiving 24% to 32% more each month than your primary insurance amount (what you're entitled to at your full retirement age) and 76% more than you'd get by taking benefits at age 62.

But while these numbers are impressive, there's more to this cost-benefit calculation. This is because there's a large cost associated with waiting: If you start receiving benefits at 62 as opposed to 70, then you get monthly checks for eight more years. The question, in turn, is whether (and, more specifically, when) the cost of waiting outweighs the benefit of a higher but delayed monthly check.

This is known as a breakeven analysis. And while there are calculators for this purpose online, here's the gist of it: If you expect to live past 77, then you should consider waiting until full retirement age to begin collecting benefits, as this is the point when the gain from waiting overtakes the cumulative cost.

Moreover, if you live past 82, then you'll receive more in lifetime benefits if you wait until you're 70 years old to claim Social Security. The rationale is the same:

But here's the thing that's important to keep in mind: The average lifespan of an American is 79.8 years old. And for men, it's only 77.4 years compared to 82.2 years for women. Thus based on age alone, particularly for males, it may not be as smart as you first think to hold out for larger Social Security checks.

It's also worth pointing out that, according to a government report, "The Social Security benefit formula adjusts monthly payments so that someone living to average life expectancy should receive about the same amount of benefits over their lifetime regardless of which age they claim."

Now, just to be clear, there are a number of additional variables that should factor into one's decision about when to apply for benefits. If you're planning to work between the ages of 62 and 66, for instance, the scale tips in favor of deferment, as wages above a certain threshold will erode your Social Security benefits until you reach full retirement.

And the same can be said if you have a spouse or other dependents that are likely to outlive you. The net result would be to extend the life (and thus the value) of your cumulative benefits.

Nevertheless, the point here is that if you find yourself in a position to apply for benefits early, rest assured that there's little reason not to.

WEBSITE FOR ADDITIONAL SOCIAL SECURITY INFORMATION

Here are some website that can provide you with additional information.

Nolo.com ssa.com bankrate.com/socialsecurity

Socialsecuritysolutions.com maximizemysocialsecurity.com

Well that's about it for this issue of *Uncle D's Take On It!* I hope that I have provided you with some useful information about how Social Security works and all of the options available to you in deciding when and how to start taking your Social Security benefits.

Unfortunately, Social Security has some very nasty "gottcha" provisions, so if you take the wrong benefits at the wrong time, you can end up getting the wrong (as in smaller) benefits forever. Taking Social Security benefits—the right ones at the right time—is one of the biggest financial decisions you'll ever make, so you need to get it right!! The bottom line is:

Read and understand the options that are available to you now and not when you are ready to start taking your Social Security....

Please let me know if you enjoyed this issue on Social Security. Below I have listed some of the upcoming topics. Let me know if any of them sound interesting to you.

Loans & Refinancing

Annuities

Buying A Car

How To Buy A House

Stock Market Basics

Estate Planning

Dollar Cost Averaging

Home & Auto Insurance

Wills & Trusts

Here's to Family, Friends, & A Fine Bottle of Wine!!!!!!!!!!!!!!