HAAS Fydroski Financial Services, Inc.
Investments - Planning - Education

IPE Insights

DECEMBER 2014

James H. Fydroski CFP® ,
President, Haas Financial Services Inc.

Social Security for Singles and MORE ...

JIM'S JOURNAL

Over the last few years I've written a number of articles on Social Security ranging from its historical beginnings in 1935 to various claiming strategies that range far beyond simply collecting benefits at age 62. The age you elect to begin receiving Social Security payments is very important since it will impact the payouts you receive for the rest of your life. It will also affect the payouts potentially available to your spouse after you are deceased. You may retire from a career at age 62, but beginning benefits at age 62 may not be the best choice.

Eligibility for benefits will begin after you have accumulated at least 40 quarters of credits from either self-employment or jobs covered under the Social Security system. The amount of your individual benefit will depend upon two main factors: 1) your earnings in the highest 35 years of your working career and 2) the age that you start receiving benefits. Benefits can be claimed as early as age 62 but will be permanently reduced by 25 -30% if you claim early. Waiting to collect at Full Retirement Age (66 or 67 depending upon year of birth) will produce a 100% benefit. Collecting benefits after Full Retirement Age will increase your benefit by about 8% per year until age 70.

Marital status is another key factor in your claiming strategy. Subject to certain rules and regulations, married couples may choose to collect benefits based upon their own earnings record or can receive up to 50% of their spouses benefit. Married couples have the largest number of options to develop a strategy for collecting benefits. I have seen one estimate that there can be up to two hundred different combinations for a married couple. These strategies can add thousands of extra dollars to your total payouts over a lifetime.

Divorced individuals who were married at least ten years may collect benefits from a former spouse. That former spouse can either be living or deceased and, if the former spouse is still living, you can collect without obtaining their express permission. Widow/widower benefits may begin as early as age 60 before possibly switching to your own benefit. These claiming strategies were discussed in more detail in my various articles over the last few years. The only strategy that has not been written about to date is a Social Security strategy for singles.

Compared to the other three strategies, the singles strategy for claiming Social Security is relatively straight forward. If you never married, you do not need to be concerned with survivor benefits. Benefits will end at your death. Consequently, choices will be limited to claiming benefits at age 62, Full Retirement Age (66 or 67), or 70. If you choose to delay benefits beyond your Full Retirement Age (FRA) to earn the additional credits, you should still file at your FRA and suspend your benefit. Why? In most cases, Social Security will not pay more than six months of retroactive benefits if you change your mind (no retroactive benefits can be claimed if you are under Full Retirement Age). By filing and suspending, you can collect all accumulated benefits if you change your mind due to an unexpected expense or illness. As an example, a single woman has a full retirement benefit of $2,600 at age 66 but decides to wait until age 70 to take advantage of the 8% per year credit. At age 68 she is diagnosed with a serious illness and needs a lot of cash for her treatment and living expenses. Since she filed and suspended at age 66, she would be eligible for 24 months of retroactive payments totaling $62,400. Without filing and suspending, the retroactive payment would only be for six months and total $15,600. As you can see, knowing the rules can make a lot of difference in not only the singles strategy but in all the strategies.

A final few thoughts on Social Security. The question that comes up all the time is whether Social Security will be there when I (not someone else) retire? According to Stephen Goss, the chief actuary of the Social Security Administration, there will be adequate financing to pay all scheduled benefits until 2033. At that point the funds will only be able to cover 77% of the promised benefits. A fix will be needed at that point. Will it happen? I think it will happen. Despite the frequent political gridlock between our political parties, my perspective is that there will be a solution down the road. Politicians like to be reelected and Social Security has become a pillar ingrained in our retirement planning. And for many Americans, it has become the only source of income when they retire. It will be fixed. It is just a question of when. The sooner, the better since that will provide policy makers more options to consider.

By the time you receive this newsletter, Christmas will have past and the New Year will be quickly approaching. I came across this Christmas Gift Suggestion list from American novelist, Oren Arnold and thought that it might be nice to tuck away for next year and a few years after that.

" To your enemy, forgiveness.
To an opponent, tolerance.
To a friend, your heart.
To a customer, service.
To all, charity.
To every child, a good example.
To yourself, respect."

See you next year and *Take Good Care!!!*

Jim's helps with holiday decorating.

"I built a larger chimney. That way Santa wouldn't have a problem getting a boat down it."

Just Some Seasonal Fun !!