



## MAKING CENTS

### FIGURING OUT SOCIAL SECURITY

-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®



One of the most significant assets for those in or approaching retirement is Social Security, and knowing when to take those benefits can be vital to your cash flow.

You have three choices when applying for Social Security benefits: apply at age 62 and receive reduced benefits; apply at your full retirement age (check out [www.ssa.gov](http://www.ssa.gov)) and get full benefits; or apply any time after full retirement age and receive additional credit. Many retirees are satisfied with taking the benefits early. But a few other elements should be factored in before determining when to begin taking Social Security - namely, cost-of-living adjustments, taxes and spousal benefits.

Cost-of-living adjustments, also known as COLAs, are the annual increases in Social Security benefits to allow retirees to keep up with inflation. Those standard, low increases in the 2 or 3 percent range can add up with annual compounding. Therefore, if you put off taking benefits, your starting benefit will be higher.

Your Social Security benefits may be taxed or reduced if you have other income. If faced with this decision, now may be a good time to speak with a professional well versed

in Social Security to ascertain which approach makes the most financial sense for you.

Spousal benefits should also be considered when deciding when to apply for Social Security benefits. Factor in both your age and your spouse's age, your combined life expectancies, and the amount the surviving spouse would receive when one of you dies.

Spousal benefits can be taken by a spouse who is at least 62 as soon as the primary income earner reaches full retirement age. There is no advantage to delaying spousal benefits.

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Also, a spouse can begin to receive spousal benefits even if the primary worker has not yet applied for benefits. The primary worker can "file and suspend" his or her own benefits once reaching full retirement age in order to initiate spousal benefits. This action not only allows the spouse to receive some benefits, but builds delayed retirement credits for the primary worker.

The people in your local Social Security office are by far the most informed and helpful people when it comes to this topic. No appointment is needed to see them.

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