

Six Misconceptions about Social Security

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Full Retirement Age - People think that age 65 is the full retirement age because that's when Medicare starts. However, for people approaching retirement, they should know that their full retirement age is 66 or later. For instance, my full retirement age is 67. When you start drawing benefits prior to your full retirement age, you permanently reduce the amount of the benefit you receive by roughly 8% per year.

Divorce - People forget that when you are divorced, you can collect benefits based upon your ex-spouse's earnings record if you were married for at least 10 years. You also need to be over 62 years old and not have remarried in order to qualify. Importantly, this benefit is available to both men and women.

Deceased Spouse - People don't understand how their benefit will change when a spouse dies. Sometimes they incorrectly think that they will continue to collect their benefit as well as their deceased spouse's benefit, or they think that their spouse's benefit will disappear upon death and they will be left with only their own benefit, which may be smaller. Neither of these situations is true. Upon death, the smaller of the benefits will go away and the survivor will receive the larger of the two benefits for the rest of their life.

Working While Receiving Benefits - People think you have to stop working in order to receive Social Security benefits. This is untrue. In many cases, it may not make sense to start drawing benefits prior to full retirement age if your plan is to continue working, but it can be done. For example, if you are under your full retirement age, still working and start collecting benefits, you may lose a portion of your retirement benefits if you earn over a certain threshold amount (\$15,772 for 2017). If you earn above that amount, you will lose \$1 of benefits for every \$2 of earnings that exceed the limit. This is why I often recommend you wait until you stop working to consider drawing benefits. In addition, when you take benefits prior to your full retirement age, you lock in the permanent reduction as mentioned above. Keep in mind that once you reach full retirement age, you can start collecting Social Security benefits and earn as much as you want and you will not lose any retirement benefits whatsoever.

Waiting Until Age 70 - On the flip side, people are frequently unaware that you can increase your Social Security benefits by waiting until age 70 to start drawing benefits instead of taking benefits at your full retirement age. Current retirees, for instance, can increase their monthly benefit amount by up to 32% by delaying from age 66 until age 70 to start taking benefits. This is the "neat trick" often referred to in Social Security commercials you hear on the radio or see on the Internet. Others will refer to people leaving \$100,000 on the table because they took their benefit at the wrong time. This is what they are referring to. By waiting until age 70 to draw benefits you will receive the maximum possible benefit!

Non-Citizens May Qualify - People think that you have to be a U.S. Citizen to receive Social Security benefits. This is not true. Resident aliens may qualify to receive Social Security benefits as long as they meet certain requirements such as having worked 10 years in the U.S.

To get more information about your potential Social Security benefits you can register online at www.socialsecurity.gov to check your benefits statement, or look for it when the Social Security Administration mails it to you once per year. The website also has a lot of good information about the various benefits as well.