



CASHING IN EARLY ON SOCIAL SECURITY MEANS LOWER BENEFITS

BY ALEX NIXON | Wednesday, May 4, 2016

Workers nearing retirement age have several options for when they start receiving Social Security benefits.

But whether a worker takes it early, at full retirement age or delays the benefit a few years makes a big difference in the monthly payout.

“There are so many different variables out there,” said Diane Pearson, a wealth adviser and shareholder at Legend Financial Advisors Inc. in McCandless.

Financial experts say people who are still employed or have other sources of funds should try to delay starting Social Security benefits as long as possible. That's because taking it before the full retirement age — which is 67 if you were born in 1960 or later — cuts the monthly payment.

And if they can wait past 67, the government increases the monthly benefit by 8 percent for each year until 70.

“If you have other sources of income, it may make sense to wait,” Pearson said.

The Social Security Administration allows people to begin collecting as soon as age 62. But the monthly payment will be cut by 30 percent for people with a full retirement age of 67. And the reduction never goes away.

For the average beneficiary who collects \$1,335 a month, that reduction cuts the benefit to \$935 a month.

On the other hand, waiting until 70 increases that same average benefit to \$1,655 a month.

But Mike Fertig, vice president of Fragasso Financial Advisors, Downtown, said there may be another reason to start the benefit early.

“If taking Social Security allows you to delay tapping into tax-deferred retirement plans for a number of years, that could be very beneficial,” he said.

Funds invested in an IRA or 401(k) plan could grow in value at a faster pace. But that may not be an option for someone with limited savings.

“If they need it, then there aren't a lot of choices,” Fertig said.

And while no one can predict when they'll die, life expectancy also may figure into the calculation, Pearson said.

If your family has a lot of people who lived past the average life expectancy, then you should try to wait. And vice versa if people die younger in your family.

The Social Security Administration says U.S. men on average live to just past 84; women to nearly 87. And it calculates benefits based on life expectancy and how much was paid into the system from a lifetime of wages.

“If you live to the average life expectancy,” Fertig said, “you're going to get the same amount of total benefits whether you start taking it early or wait.”