The Street

3/27/2013

Personal Finance

Wait for 70 for Social Security

BY BRIAN O'CONNELL

NEW YORK (TheStreet)–Maxing out on your Social Security benefits is a pretty big deal, considering that the No. 1 fear among retirees is not having enough cash to live on all the way through retirement, according to a study by Prudential Financial.

That study says Social Security accounts for about 40% of all retirement benefits, yet most retirees "never focus on how to help maximize the very benefits that may help sustain them throughout retirement."

For a number of reasons, "it's best to delay" getting benefits, says Dan White, founder of the Glen Mills-based financial advisory firm Daniel A. White & Associates.

> "For many families, waiting as long as possible before starting social security is a smart financial decision. That said, every situation is different, so I always recommend that couples work together to find the timing that works best for both of their perspective."
>
> — Daniel A. White

DANIEL A. WHITE

Glen Mills-based Daniel A. White & Associates has been helping families make the right retirement and social security timing decisions since 1987. For more information, please call 610-358-8942.

HERE'S WHY, AND HOW:

"For every year you wait [before turning 70], your income can go up," White says. "Most people start drawing Social Security earlier than what is ideal for them."

Ted Sarenski, a financial planner and member of the American Institute of Certified Public Accountants's National CPA Financial Literacy Commission, says Americans approaching retirement age should "run the numbers" and find out what they're gaining and losing with their Social Security strategy.

"Statistically, two-thirds of all people begin their own benefits at age 62," he says. "This results in a 25% reduction of what they would get per month at age 66. If the person still wants to work from age 62 to age 66 they are limited to $15,120 of earnings in a year or have to give back to Social Security $1 for every $2 they earn over that limit."

White agrees: "it's best to wait it out and bridge that five-year gap" to age 67, and there are several ways to to delay drawing benefits until then.

"A 401(k), investments and other retirement accounts may be better used if they bridge the gap between retirement and a later start to social security," he says, warning that married couples should take special precautions. "Couple must plan for retirement together–even if they will time their individual retirements differently–in order to maximize benefits."

A good Social Security calculator can help near-retirees figure out what will work best for them. Try the step-by-step online calculator from T. Rowe Price that not only covers "how and when" but adjusts for your personal financial situation.

The Prudential study also advises near retirees to factor in the impact of taxes before making decisions on Social Security withdrawals. Upon retirement, income from individual retirement account withdrawals can lead to Social Security benefits being taxed. The solution? Prudential advises reducing your taxes by choosing higher Social Security income and lower IRA withdrawals.

Dan White is the founder and president of Daniel A. White & Associates, a financial planning firm specializing in asset protection and transitional and retirement planning. One of the nation's leading experts in financial and retirement planning and host of "On The Money" radio show on WDEL Sundays at 7 a.m., Daniel A. White is a Chartered Financial Consultant and Chartered Life Underwriter. For more information, please call 1.888.690.8820 or visit www.danwhiteandassociates.com.
