



KATZ FINANCIAL SERVICES
Retirement, Estate and Insurance Planning Strategies

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Social Security Considerations

Social Security provides retirees with a basic income. It was never intended to fully cover the cost of living in retirement. It acts as a supplement to your resources.

Social Security includes disability, dependent benefits, and survivor benefits for minor or disabled children. Let’s take an overview of retirement benefits.

As you are probably aware, retirement benefits may start at age 62.

The table below highlights the age you receive your full retirement benefit based on your year of birth.¹

Table 1: Age to receive full benefit	
Year of birth ¹	Full retirement age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: Social Security Administration Retirement Benefits 2024

¹ If born on January 1 of any year, refer to the previous year.

If you were born in 1956, for example, your full retirement age is 66 and 4 months. If you were born in 1960 or later, the full retirement age rises to age 67.

Receiving Social Security before reaching full retirement will permanently reduce your benefits. That may not be in your best interest. The longer you wait to apply for benefits, the greater your monthly check.

Should I retire at 62, 67, or 70?

Unless there is a compelling reason to start receiving Social Security benefits early, it is usually advisable to hold off as long as possible. Your benefit maxes out at age 70. Variables such as your health and cash needs play a role in determining the best time to take benefits.

Table 2 illustrates the discount and premium you will receive based on when you file for benefits for those born in 1960 or later.

As shown in Table 2, you will receive 70% of the full retirement benefit if you claim at 62, 100% at 67, and 124% if you delay until 70.

Table 2: Retirement and benefits if born in 1960 or later	
Age at retirement	Percent of full benefit paid (%)
62	70.0
63	75.0
64	80.0
65	86.7
66	93.3
67	100.0
68	108.0
69	116.0
70	124.0

Source: Social Security Retirement Planner

Note: If your birthday is on the 1st of the month, your benefit will be calculated as if it were in the previous month.

If your birth year falls between 1943 and 1956, you will receive 75% of your full Social Security benefit if you retire at age 62, 100% of your full benefit at 66, and 132% of your full benefit at 70.

Your benefit level is prorated by month and gradually increases every month after your birthday.

Additionally, the minimum and maximum benefit amounts are also prorated based on your birth year. Based on your birthdate and when you apply for benefits, the minimum benefit ranges from 70 to 75%. The maximum benefit ranges from 124 to 132%.

Planning Strategies

Note that this is a high-level overview, and your individual situation could generate questions. Planning for Social Security can sometimes feel like entering a maze. The options may feel overwhelming, and you can quickly get lost.

Please reach out to us at Katz Financial Services if you have questions.

Anyone born in 1929 or later needs 10 years of work to be eligible for retirement benefits.

Social Security began when many households had one spouse who was the sole wage earner. A non-working spouse may apply for a [spousal benefit](#) that is up to half the benefit of a working spouse.

If a spouse begins receiving benefits before full retirement age, the benefit will be reduced. However, if a spouse is caring for a qualifying child, the spousal benefit is not reduced.

If the working spouse dies first, the surviving spouse's benefit increases to the monthly amount that the deceased working spouse was receiving.

What if both spouses worked? Well, the lower-earning spouse will receive the special spousal benefit, or the benefit based on his/her earnings, whichever is greater.

How might you maximize benefits for a married couple?

If both spouses claim benefits at age 62, their overall benefits are permanently lower. If the higher-earning spouse passes first, the step-up in benefits will be less generous because the higher-earner applied early.

For example, Tom is eligible to receive \$2,000 per month when he reaches age 67. He believes he has a life expectancy of 85.

His wife, Sarah, will receive \$1,000 per month at age 67. Based on her health and family history, she believes she may live past 95.

Both were born in 1963.

The couple was planning to claim at age 62. He would get \$1,400 a month, and she would get \$700. Because they claim early, their monthly benefits are 30% lower than they would be at their full retirement age of 67.

After they consult with their financial professional, Tom realizes that applying at age 62 will reduce his wife's benefits during the years she expects to outlive him. If Tom can delay until 67 or even 70, he will increase his overall monthly Social Security check, as well as Sarah's later benefit if she indeed outlives him.

For Tom, his benefit at age 62 amounts to \$1,400 per month (70% of full retirement), \$2,000 at 67 (100% of full retirement), and \$2,480 at 70 (124% of full retirement).

This simple example illustrates one big advantage of delaying benefits.

In a "Ward and June Cleaver world," the benefit calculation is straightforward, especially if there is only one wage earner during the marriage.

In a "Modern Family world," divorce and remarriage add an extra wrinkle for some couples.

For example, if you have been divorced and were married for at least 10 years, you may be eligible for benefits based on your ex-spouse's Social Security. You can receive up to 50% of their full retirement benefits. If you have remarried, this will not affect your current spouse's benefits.

Claiming benefits while working

If you work and are at full retirement age or older, you may keep all your benefits, no matter how much you earn. However, if you're younger than full retirement age, there is a limit to how much you can earn and still receive full Social Security benefits.

If you're younger than your full retirement age during all of 2024, Social Security will deduct \$1 from your benefits for each \$2 you earn above \$22,320.

If you reach full retirement age in 2024, Social Security will deduct \$1 from your benefits for every \$3 you earn above \$59,520 until the month you reach full retirement age.

One more thing: Taxes

According to Social Security, you must pay taxes on up to 85% of your Social Security benefits if you file a:

- Federal tax return as an individual, and your combined income exceeds \$25,000.
- Joint return, and you and your spouse have a combined income of more than \$32,000.

Most don't think about Social Security until they approach the age of eligibility. It's not top of mind until it's time to apply. But it's best to plan early so you can plan with confidence.

If you have questions, please contact us for assistance.

Researched and drafted by Charles Sherry, MSc for Horseshmouth. Edited by Sigma Financial Corporation / Parkland Securities, LLC. Past market performance is no guarantee of future investment performance or success.