

## Social Security: Is it Too Late for Me?

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Over the past year, we've written several articles about the different strategies available to individuals and couples with respect to their Social Security retirement benefits. We've received many questions from clients who had already started receiving benefits wondering if there's anything they could do to "undo" their original claiming decision. Read on to see if any of the below scenarios might apply to your situation.

**Q: My name is Joe, and I am currently 64 years old and have been receiving my reduced retirement benefit since age 62. I heard I might be able to withdraw my application and increase my monthly benefit. Is this true?**

TA: Unfortunately, you do not have the ability to withdraw your application. The Social Security Administration recently changed their rules for withdrawing a claims application. If you have been receiving benefits for more than 12 months, you are not eligible to withdraw your application.

In your case where you elected to receive your benefit before full retirement age (FRA), the only option you have to change the course of your retirement benefit is to continue collecting your benefit until FRA, which is currently age 66 for retirees born between 1943 and 1954. Once you turn 66, you can suspend, or "pause", your benefit and earn Delayed Retirement Credits until age 70. Delayed Retirement Credits result in an annual increase of 8% to your benefit. This can boost your benefit by as much as 32% (Source: Social Security Administration). Please note that you may suspend your

benefit by either calling or writing to the Social Security Administration (SSA).

To help illustrate this strategy, let's use some hypothetical numbers. If your benefit at FRA is \$2,400 per month, your reduced benefit at age 62 is \$1,800 per month, due to the 25% reduction for receiving benefits early. If you decide to suspend your benefit at FRA and earn Delayed Retirement Credits, your benefit at age 70 would increase to \$2,376 per month ( $\$1,800 * 1.32$ ). Please note that this benefit is less than your benefit at FRA due to the 25% reduction you incurred at age 62. This is ignoring any Cost of Living Adjustments for simplicity.

**Q: My name is Barbara, and when I turned 66, I began collecting my Social Security benefit. I am now 68 and am concerned about my longevity. Is there any way I can increase my benefit that I will receive for the rest of my life?**

A: While you no longer have the ability to withdraw your application because you have been receiving your benefit for longer than 12 months, you still have the option to suspend your benefit and earn Delayed Retirement Credits until age 70. Delayed Retirement Credits result in an annual increase of 8% to your benefit. Since you are already 68, this could increase your benefit by as much as 16%, as you have two years where you can earn Delayed Retirement Credits. (Source: Social Security Administration).

In order to suspend your benefit, you should call the SSA directly. To illustrate this strategy, if your monthly benefit at FRA is \$1,400, and you suspend your benefit starting as soon as you turn 68 to earn Delayed Retirement Credits, your monthly benefit would grow by 16% to \$1,624 ( $\$1,400 * 1.16$ ). This is ignoring any Cost of Living Adjustments for simplicity purposes.

## Q: My name is Bill, and I started receiving my Social Security benefit as early as possible at age 62 and have been receiving my benefit for only six months. I'm now wondering if I made the wrong decision. What options do I have?

A: Due to the fact that you have been receiving benefits for less than 12 months, you have the ability to withdraw your application and re-apply at a later date. A withdrawal of application is essentially like you never applied for benefits in the first place. This is great news because by successfully withdrawing your application you could boost your Social Security benefit by as much as 76% (Source: Social Security Administration).

To illustrate this strategy, if your monthly benefit at FRA is \$2,000, when you started receiving your benefit at age 62, your benefit was reduced by 25%, to \$1,500 per month. If you successfully withdraw your application, you can wait until FRA (age 66) and collect your unreduced \$2,000 monthly benefit. Furthermore, if you decide to defer collecting your benefit until age 70, your benefit can earn Delayed Retirement Credits from age 66 until age 70. This can further increase your monthly benefit to \$2,640, which is 76% greater than your reduced benefit at age 62 (Source: Social Security Administration). The numbers in this example ignore any Cost of Living Adjustments for simplicity purposes.

## Dotting the I's and Crossing the T's

Before you suspend or withdraw your claims application, there are several considerations you should think about. The simpler of the two options is suspending your application. Beyond planning for where the cash flow will come from to replace your benefits if you were relying upon it for your living

needs, you will also need to make sure to pay your Medicare Part B premium payments out of pocket, if applicable, as they will no longer be deducted from your monthly Social Security benefit. There is some hand holding here, as you will receive a quarterly invoice to remind you to send in your premium payment. As mentioned earlier, please call the SSA directly at 1.800.772.1213 to suspend your benefit.

Withdrawing your application is slightly more complex. Upon withdrawing your application, you must repay the following items (Source: Social Security Administration):

1. All of the benefits you and your family received. The repayment must include your benefit as well as any benefits received by your spouse and children based on your application. Please note that anyone who received benefits based on your application must also consent in writing to the withdrawal.
2. Money withheld from your Social Security benefit checks for Medicare Part B, Part C and Part D premiums. Once you withdraw your application, you will be billed quarterly to pay the premiums associated with the additional elected Medicare coverage.
3. Voluntary tax withholding of federal income taxes for all years prior to the current year.
4. Any garnishments, such as unpaid federal taxes.

In order to withdraw your application, you must complete a Social Security Form SSA-521. This form can be found using this link. Please note that you are limited to one withdrawn application in your lifetime.

### Conclusion

For many people, their Social Security retirement benefit represents a key part of their income stream in retirement. Therefore it is crucial to consult with your Wealth Advisor to determine the most appropriate strategy for you and your family to maximize the benefits you may receive over your lifetime. Typically, a strategy involves deferring until at least full retirement age and in many cases, to age 70 in order to avoid reductions in benefits and earn delayed retirement credits. If you are considering withdrawing or suspending your Social Security application in order to increase your retirement benefit, please contact your Wealth Advisor to discuss all of your options.

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