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When Should You Take Social Security Benefits?

Q. I am considering taking Social Security now, at age 63. Yes, I know all sorts of reasons to wait, like the annual increase of 8 percent in benefits. But there are some other reasons that I am thinking of that tip the balance the other way. My income is quite low now, so I need cash from somewhere–either my savings/investments or Social Security. If I use my savings, then that fund depletes and it would not be there for anyone to inherit when I'm gone. But no one will receive any of my Social Security benefits when I'm dead, so if I don't take my benefits, and I die sooner rather than later, they remain untapped and disappear. — Looking for strategies

A. There is no one factor that should control when you start to take Social Security. Instead, it should be part of an overall review of your complete financial picture.

That would include how both essential and discretionary living expenses might change and what means you have to meet your needs, said **Claudia Mott, a certified financial planner with Epona Financial Solutions in Basking Ridge.**

"It is a wonderful goal to leave an inheritance to your family, but it should only be fulfilled once you are sure your own needs will be met over your lifetime," Mott said.

As is often the case, the loss of full-time income that comes from moving on to a new phase of life means supplementing from other sources, she said. And no longer can retirees hang their hat on a pension from their employer providing the cash flow they will need to meet living expenses.

Mott said savings in the form of 401(k)s and IRAs are often the main source of supplemental income above and beyond Social Security and perhaps a part-time job.

The trick is finding the right balance between these different resources.

When an individual decides to delay taking Social Security past full retirement age (FRA), their individual benefit will grow by 8 percent per year until age 70, Mott said. Filing and claiming a benefit prior to FRA results in a permanent reduction of benefits of as much as 25 percent for the recipient's lifetime.

"Based on your age, filing at 63 could result in a loss of 20 percent of your overall benefit," Mott said. "While this may not seem like a substantial amount each year, when compounded over a lifetime it can represent tens of thousands of dollars."

She said individuals with known health issues or who lack longevity in their family may opt to receive benefits as soon as possible despite the penalty. It is also important to know that the reduction in benefits that results from filing prior to FRA will also affect the amount a spouse or survivor might be entitled to receive.

Before you decide to file for Social Security, consider how the loss of 20 percent of your benefit is going to affect you in the long term.

"Perhaps using savings to tide you over until FRA is a worthwhile strategy to preserve the larger benefit," Mott said. "Once you begin receiving Social Security, your savings and investments accounts can be preserved as an emergency fund or as an inheritance down the road."

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