

## Social Security Questions

Retirement is an exciting and emotional time. There are many questions retirees have and Social Security questions are often at the top of the list. Social Security is an important component of your retirement plan, but its benefits are often misunderstood. The following are some common questions we hear from clients and our answers.

### **When should I start claiming benefits?**

The answer is one people don't like, which is it depends. The basic choices are apply at age 62 and receive reduced benefits for life, apply at your full retirement age and receive full lifetime benefits, or apply at age 70 and receive an additional credit for life. Making that decision involves several factors but what you really need to understand is that Social Security is a lifetime income stream. That means the biggest factor is how long you live, which is mainly determined by your health.

A helpful first step would be calculating your "break-even" age, which is the age when the total Social Security income from two options is the same. A short life expectancy usually means taking income now to get the most out of the system but on average someone living into their 80s will probably get more by waiting.

That's just the first step though, if you're married or have young kids it is even more complex. You will want to look at if one is a high-earner or if one of the strategies involving spousal benefits makes sense. You'll also want to factor in if there are children under 19, prior marriages, or if you are divorced or widowed.

Of course, delaying benefits may not even be an option. Sometimes Social Security is the only income a person has available to them in retirement. They might have been planning to work to age 67 and then forced to retire at 65 making it necessary to claim benefits right away to cover current expenses.

### **What are "free spousal benefits"?**

Being married is something that impacts when you decide to take your benefits. A strategy that can be used is to "restrict" your application for Social Security to just look at what income you

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could receive solely based on your spouse's record. This is called filing a "restricted application" or sometimes "free spousal benefits."

If you are under full retirement age though you can only take benefits based on your own record, but after full retirement age (usually 66 or 67) you can receive a spousal benefit equal to 50% of the primary beneficiary's benefit and then switch to your own benefit at a later age.

Often times we use this strategy with another strategy known as "file and suspend." This means that the primary worker does not need to be receiving their own benefits in order for a spouse to begin receiving spousal benefits.

You can find out more about these strategies on the [Social Security](#) website. Just keep in mind these strategies only come into play **after** your full retirement age.

### **Can I claim Social Security based on my ex-spouse's record?**

Yes, but there are a couple requirements. One requirement is you need to have been married for 10 years or more. You can NOT have a marriage lasting just a couple years and then get retirement benefits based on their entire work record. You also cannot re-marry. If you've gotten married to someone else the spousal benefits are based on your current spouse's records not your ex-spouse.

If you're not currently married but have had several marriages of 10 years or more, then you can select the highest benefit. Don't worry, if you are an ex-spouse as this does not impact your benefits in any way. You will not even know if your ex is receiving benefits based on your record.

### **Are Social Security benefits taxed?**

They can be and this can surprise people. Some people have to pay federal income taxes on their Social Security benefits. This usually happens if you have other income such as wages, self-employment, interest, dividends etc. in addition to your benefits. The maximum that could be taxable though is 85% of your benefits.

Similar to your W-2, you will receive a *Social Security Benefit Statement* (Form SSA-1099) showing the number of benefits you received in the previous year. You can use this statement when you complete your federal income tax return to find out if your benefits are subject to tax.

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If you do have to pay taxes on your Social Security benefits, you can make quarterly estimated tax payments to the IRS **or** choose to have federal taxes withheld from your benefits.

### **How do I file for Social Security and can they help me decide when to take my benefits?**

Ideally, you'd start the process about 3 months in advance. There are many different ways you can file. You can visit a local office (we suggest you make an appointment), you can call 800-SSA-1213, or go online at [www.ssa.gov](http://www.ssa.gov) and apply. You will need proof of your age and other backup such as proof of marriages and divorce.

Social Security personnel are there to help estimate your individual benefits and to tell you the amount you are entitled to now. They look at getting you the most benefit today. They don't project benefits through scenario planning or help with strategies for maximization as a planner would.

We hope you found these questions and answers regarding Social Security helpful. If you have questions regarding your retirement future, please feel free to contact our office and schedule an appointment.

This article written by Sandra J. Wagner, CFP®. Sandra has been helping people with their finances since 2001. She is a CERTIFIED FINANCIAL PLANNER™ professional and CEO of Wagner Planning.

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