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How to get the most out of Social Security

HIGHLIGHTS

Wrong strategy will leave money on the table

Local financial planners offer Social Security courses

Lower-earning spouses may want to collect early

By Teresa McUsic

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Knowing when to start your Social Security benefits can be a complex equation.

And with around 10,000 baby boomers a day able to start their benefits, good luck getting through to the Social Security Administration to ask questions.

Waits on the SSA hotline can be long, and office hours locally are just 9 a.m. to 4 p.m., except on Wednesdays, when the offices close at noon.

Fortunately, local financial planners developed a number of low-cost classes and no-cost tools to help.

“There are about 500 different strategies for filing, depending on your age, marital status, and income,” said Josh Strittmatter, a certified financial planner who teaches a two-hour continuing-education course on Social Security optimization at three local colleges each semester.

Not choosing the correct strategy can leave money on the table, said Burk Rosenthal, a certified financial planner in Fort Worth. “Filing too early or too late, based on your earnings history, can be a huge mistake,” he said. “They different can be more than \$100,000 in lost benefits. I’ve seen our computer software evaluation show up to \$300,000 in lost benefits under certain scenarios.”

Most Americans are fairly clueless about when to start benefits, said Al Sibello, an enrolled agent and technical editor with Thomson Reuters who teaches a course on Social Security planning at TCU.

“They aren’t aware of the strategies you can take advantage of to maximize their Social Security benefits,” he said. “They also get confused about how a spouse’s benefits can relate to their own benefits.”

10,000 Number of baby boomers a day who are able to start Social Security benefits

Here are five common errors in assessing your Social Security benefit:

1. **Lower-earning spouse not collecting early.** Sibello sees this when both spouses have been wage-earners but one makes significantly more than the other. Lower-earning spouses may want to start collecting Social Security at age 62, Sibello said, because at full retirement age (generally 66) their spousal benefit will be higher than their earning benefit, so they will automatically switch to that. If those spouses don't enroll until full retirement age, the earning benefit will simply disappear, leaving four years of money on the table, Sibello said.
2. **Ex-spouse and widow benefits.** Strittmatter said that if you were married for more than 10 years, you can file on your ex-spouses' benefit if you have not remarried. Widows and widowers can also file starting at age 60 instead of 62. "That's a lifesaver for people who need an income stream," he said.



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Burk Rosenthal, financial planner in Fort Worth

3. **Some government pension workers are eligible.** Many workers with government pensions think they are not eligible, Strittmatter said. But if those workers paid into Social Security for 10 years or more in their careers, they are eligible for benefits, although at a reduced amount, he said.
4. **Social Security statements flawed.** Rosenthal cited two problems with the individual Social Security statements that people can obtain at www.ssa.gov or in the mail. The first flaw is that if people are still working, the statement will reflect their most recent wage, so zero income for the year (which will happen when they retire) will not be factored into the calculation of the estimated benefits at ages 62, 66, and 70.

"Those projections are as if you continue earning, up to those ages, but at some point, you will retire and not have those earnings," he said. "Those estimates are not going to be accurate."

The estimates also do not include cost-of-living adjustments that have been in place since 1975, Rosenthal said. Such an adjustment, ranging from 1.3 to 14.3 percent, has taken place each year except two, according to the SSA. Not including the adjustment throws off the estimates, Rosenthal said.

Social Security is funded through payroll taxes called the Federal Insurance Contributions Act tax or the Self Employed Contributions Act Tax.

5. **Early benefit reduces benefits at different ages.** Overall, those who start at age 62 will receive a 25 percent reduced benefits, Rosenthal said. But that amount varies by year. Starting at age 62 or 63, there is a 5 percent reduced benefit. At ages 63 to 66, it's a 6.67 percent reduced benefit each year for a total of 25 percent.

But if you wait to start your benefit at age 70, it will grow 8 percent per year from your full retirement age (66 for most) to age 70, Rosenthal said.

"That's a guaranteed increase in income," he said. "Delaying it might make a difference in your standard of living." Rosenthal offers a free calculator at www.RRP.com.

Bottom line: Do your homework before pulling the trigger on your Social Security benefits.

"I learn more every year," Sibello said. "That's one of the reasons I teach the class."

Teresa McUsic's column appears Saturdays. TMcUsic@SavvyConsumer.net

<http://www.star-telegram.com/news/business/biz-columns-blogs/teresa-mcusic/article34946136.html>

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