

not affect on their long-range projections for the full family, starting from the pandemic.

## The Fix Will Be In, Not When?

Certainly, the timing of Social Security and Medicare may be addressed by Washington if those programs are to deliver benefits that in what they provide today. Some combination of tax cuts and benefit computation formula changes are possible.


To reach an efficient target, Social Security is different retirement model of the year for waiting, and after full retirement age (FRA) seems best, particularly if waiting is the only way. Waiting that to age 70 or 75 will result in

with an savings about up to 10%.

Reaching the maximum FRA, currently age 67, is not another possibility. Combined with an increase in the age 70 age on starting Social Security, if Social Security is not starting with some method back to age 70, some seniors might delay claiming, keeping benefits for more years and effectively more waiting some of the financial stress.

There are among the possibilities that could be included to help Social Security itself. To that, the could be present, perhaps allowing benefits people with high incomes, as has been the case with Medicare Part B and Part D premiums.

The long-term projections and the savings of the system have been relatively consistent both before and since the pandemic — the issue need to be addressed sooner than later. But is this the first time that the Social Security has been "fixed" on the level of legislation?

Seniors with their financial advisors can use these reports to help make prudent retirement plans. To prepare for a potential reduction, an alternate scenario in which benefits are increased, Social Security can more intended to be a reliable main source of income, so adding more income, the private retirement funds can help create a comfortable lifestyle, and even, even if Social Security benefits get a 20% 20% boost. 

## Getting the Most from Social Security Claiming Tools

### Guest Expert



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1. Rules of thumb
2. Break-even analyzers
3. Retirement planning software with some Social Security analysis
4. Stand-alone Social Security optimizers

Social Security retirement is too important and too complex to leave to simple rules. (I'll note that my mental starting point is "delay" for anyone who is single and "draw the lower benefit early and the higher benefit later" for married couples.)

### Rules of Thumb

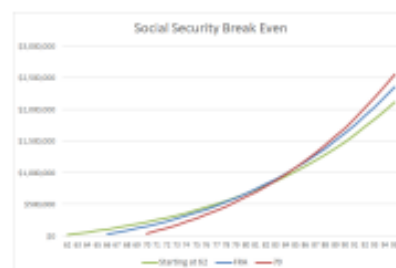
There are three common "rules" that drive the claiming decision for many seniors:

- **Bird in the hand:** "Get your money ASAP. Social Security is going broke."
- **Focus on full retirement age (FRA):** "Don't start until FRA. Benefits won't be reduced and the earnings penalty won't come into play."
- **Always start at age 70:** "Waiting until age 70 maximizes what retirees will receive."

Such attitudes may make the claiming decision simpler, but the choice of a starting date for

### Break-Even Analyzers

Many seniors and probably most advisors have seen the traditional break-even analysis charts for people trying to decide when to begin drawing their Social Security retirement benefits. I've built and presented these charts myself! They typically look like this:



get it, not everyone has the luxury of delaying Social Security retirement benefits — *retirees need to eat before age 70!* For those with some flexibility about starting, it definitely makes sense to take time determining the "best" option for their specific circumstances. Often, I see a huge difference in total dollars between what someone's claiming plan is likely to deliver and what the optimal plan could produce.

In practice, I observe people using any of four ways to help them decide when to start receiving Social Security retirement benefits:

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These simple tools often help you estimate the advantages of waiting to draw their retirement benefits. Unfortunately, these charts often miss a lot.

- Many charts ignore Social Security's annual inflation adjustments.
- Many do not consider the time value of money.
- They do not put the illustrated ages into context. If we're using the example of 60 to 65, what's the likelihood of living that long?
- Most importantly, these graphics look at each member of a couple individually. For married couples, this can be a significant mistake.

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### Retirement Planning Software

As for retirement planning software programs, they may offer some help in choosing a claiming date. These tools often are stored alone within the software that can show the annual and cumulative difference in Social Security benefits among different claiming dates.

However, using such software to help with claiming decisions may lead to comparing apples to oranges. Why do I say this? Because, when running retirement projections, we have to be conservative in our assumptions (life expectancy, investment returns, inflation, taxes, etc.). The consequences of getting this wrong can be disastrous, living too frugally or running out of assets.

In comparison, the Social Security claiming decision does not have the same severe consequences,

so the same ultra-conservative approach is not necessary. With Social Security, we are trying to maximize the chances of a solid retirement income, not a solid retirement income. So, the program's recommendations can find some optimal strategies.

### Social Security Optimizers

Compared to the tools mentioned in a huge list of using the robust Social Security optimizers that are available. We enter the details and the calculator runs through thousands of potential combinations (start at age 60, start at age 62 and one month, and so on). The highest combined benefits arise.

We frequently surprised by the recommended strategy. These robust tools will consider children's benefits, survivor benefits, divorced spouse benefits, spousal benefits, etc. These are easy for us to miss and therefore important to catch, when available.

### Optimizing Our Optimizers

As good as these Social Security optimizers can be, I think we can do better than run the analysis using the default best life expectancy of ages 80 or 85 for everyone, every time. When we use such long lives, the answer is almost always "start at age 62".

My approach is to seek the optimal claiming age using a variety of scenarios. Specifically, run calculations for short (20) percentiles, average (50), long (70), and extra long (90%) life expectancies.

**Example 1:** Alice is female, never married, active, non-smoking

and a sibling. If specialized with a complete retirement cost app, I ran the optimizer using ages 60, 62, 64 and 66 for her various life expectancies. I pulled these ages from David Hollibaugh's "Total Life Probability Spreadsheet" at <https://www.davidhollibaugh.com/>.

The optimizer showed the best claiming date to be age 62 for all but the short (20) percentile life expectancy, where the suggested claiming age was 66. I also note the "penalty" for claiming at age 62 and dying at age 64 is close to \$10,000, while the penalty for delaying at age 62 and living to age 64 is higher than \$10,000.

When running these calculations, I'm worried less about "harvest" than I am about the consequences of getting the wrong result. While not quite at the level of Pascal's wager or better, I find coordinating a retirement date of death is a smaller problem than underestimating it. If we assume a retiree lives to age 80 but death occurs at age 75, the plan does not implode. If the assumption is age 80 but death doesn't occur until age 85, there could be huge problems.

For married couples, we can do much better than assuming best life expectancies of 80/85. Rather than using both spouses' single life expectancies, I use joint life expectancies. Joint life expectancies are not intuitive. When looking at two lives, the first death is useful and the second is later than I've seen to use single life numbers.

**Example 2:** Ryan and Jordan (both age 60, healthy, active workers) have a life expectancy of 80 and 77 years (to ages 67 and 66 respectively) when looking at their single life numbers. When looking at joint lives, the average age for the first death is 73, then 77 for the second death. These ages are higher than most expect, because



