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The Most Important Retirement Decision Most People Underestimate

How to Make One of Retirement's Most Important Financial Decisions

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For more than three decades, I've helped individuals and families prepare for retirement. One conversation has come up more times than I can count.

A husband and wife sit in my office, convinced they've already made their Social Security decision. They've read articles online, talked with friends, listened to television personalities, and perhaps even run a few online calculators. In their minds, there's nothing left to discuss.

Then we spend about ninety minutes reviewing their retirement plan—investments, taxes, Medicare, estate planning, income needs, and long-term goals. More often than not, they leave with a very different plan.

What changed? They didn't discover a new Social Security rule. They discovered they were asking the wrong question. Like many retirees, they came in asking: "When should we claim Social Security?" By the time they left, they were asking a much better question. "How does our Social Security decision fit within the rest of our retirement plan?"

Too often, Social Security is viewed as little more than a government benefit, a monthly check that begins when you file. In reality, it's one of the largest financial assets many retirees will ever own. It provides guaranteed lifetime income, annual inflation adjustments, and valuable financial protection for a surviving spouse. When coordinated with a comprehensive retirement plan, it can also improve tax efficiency, reduce pressure on your investment portfolio, and provide greater financial confidence throughout retirement.

Yet many people make this decision after only a few hours of research, even though its impact may last decades. Some claim early because they're worried the program won't be available in the future. Others delay because they've heard that waiting until age 70 is always the best strategy. The truth is, either decision may be right—or completely wrong.

The answer depends on far more than your age. It depends on your health, life expectancy, tax situation, income needs, investment portfolio, your spouse's benefits, and how all those pieces fit together.

One lesson I've learned is that the best financial decisions are rarely made in isolation. Social Security doesn't exist in a vacuum. Neither do taxes, Medicare, Roth conversions, investment withdrawals, or estate planning. Every major financial decision affects the others.

That's why this guide isn't about finding a one-size-fits-all answer to the question, "When should I claim Social Security?"

It's about understanding how Social Security fits into a disciplined retirement strategy centered on your goals, your family, and the retirement you've worked so hard to achieve.

In the pages ahead, we'll explore claiming strategies, survivor planning, taxes, Medicare, and why one of retirement's greatest financial risks isn't market volatility—it's longevity.

If there's one idea I'd like you to remember, it's this: The best Social Security strategy isn't necessarily the one that produces the largest benefit. It's the one that best supports the retirement you've worked so hard to build.

Why Social Security Is More Than a Monthly Check

When most people think about their retirement assets, they think about their 401(k), IRA, brokerage account, pension, or even their home.

Social Security rarely makes that list.

That's understandable. Unlike your investment accounts, you won't find a Social Security balance on a statement, nor can you log in to watch its value rise and fall with the market.

Yet overlooking Social Security may be one of the biggest planning mistakes retirees make.

For many households, it represents one of the largest financial assets they'll ever receive. More importantly, it provides something that's difficult—and often expensive—to create on your own.

Social Security provides:

- Guaranteed lifetime income you can't outlive.
- Annual cost-of-living adjustments are designed to help preserve purchasing power.
- Income that isn't directly tied to stock or bond market performance.
- A valuable survivor benefit that can help protect a surviving spouse's financial security.

Viewed through that lens, Social Security becomes a foundational asset in your retirement income strategy. Instead of asking, "How much will Social Security pay me?" ask, "What role should Social Security play in my retirement?"

For example:

- Could delaying benefits create an opportunity to complete Roth conversions while you're in a lower tax bracket?
- Would a larger guaranteed income later in retirement reduce the need to withdraw from your investment portfolio during a market downturn?
- How would one spouse's claiming decision affect the surviving spouse's financial security?
- Would claiming benefits earlier provide more flexibility than waiting, and would that flexibility be more valuable?

These aren't simply Social Security questions. They're retirement planning questions, and that's where many people unintentionally lose sight of the bigger picture.

In our experience, the most successful retirement plans aren't built by optimizing one financial decision at a time. They're built by coordinating dozens of decisions, so they work together toward a common goal.

Social Security is one of the most important pieces of the puzzle, but it's still only one piece.

Understanding Your Claiming Options

Most discussions about Social Security begin with a simple question: "What age should I claim my benefits?"

It's a reasonable question, but it's the wrong place to start. The real decision isn't about choosing an age. It's about understanding the trade-offs that come with each option.

Claiming early generally provides more years of income, but the monthly benefit is permanently reduced. Waiting increases your monthly benefit, but you'll receive payments for fewer years. Neither approach is inherently better. The right decision depends on how it fits into your overall retirement plan.

For most retirees, there are three key milestones to understand.

1. Age 62 is the earliest age most people can claim retirement benefits. The tradeoff is simple: you'll receive income sooner, but your monthly benefit will be permanently reduced.

2. Full Retirement Age (FRA) is the age at which you're eligible to receive your full, unreduced retirement benefit. Depending on your year of birth, it's between ages 66 and 67. It's also an important planning milestone because several Social Security rules change once you reach it.

3. Waiting until age 70 generally produces the largest monthly benefit. For many higher-earning spouses, it can also increase the benefit for a surviving spouse.

The Right Age

Interestingly, the most important claiming age isn't 62, Full Retirement Age, or 70. It's the age that's right for you!

That decision should reflect far more than your birth date. It should consider questions such as:

- Will you continue working?
- How long is your retirement likely to last?
- What other sources of income are available?
- Would delaying benefits create opportunities for Roth conversions or reduce lifetime taxes?
- How will your decision affect your spouse if one of you dies first?
- Will claiming earlier reduce unnecessary stress or create unnecessary risk later in retirement?

Those questions matter far more than the claiming age itself. There is no universally "best" age to claim—only the age that best fits your personal circumstances, financial resources, and the retirement you're trying to build.

Practical Takeaway

Don't start by asking, "Should I claim at 62, 67, or 70?" Start by asking, "What claiming strategy best supports the rest of my retirement plan?" When you start there, the right claiming age often becomes much clearer.

Why Waiting Can Be Worth Hundreds of Thousands of Dollars

One of the most common questions I hear is: "How long do I have to live before waiting pays off?" It's a logical question, but it's usually the wrong one.

Waiting to claim Social Security isn't just a math problem. It's a risk-management decision.

No one knows how long they'll live or what the future holds. Waiting isn't about predicting the future, it's about preparing for it.

For many retirees, waiting increases one of the most valuable retirement assets: a guaranteed, inflation-adjusted paycheck that lasts as long as they do. That becomes increasingly important later in retirement, when market downturns, rising healthcare costs, or the loss of a spouse can put greater pressure on a financial plan.

Waiting isn't right for everyone. Health, life expectancy, cash-flow needs, and personal circumstances all matter. The point isn't that everyone should wait, it's that delaying benefits is often more valuable than people realize.

Many retirees evaluate Social Security by asking how much they'll receive over their lifetime. While that's important, it isn't the only measure of success.

A larger guaranteed income later in retirement can reduce withdrawals from your investment portfolio, provide greater flexibility during market downturns, improve financial security if one spouse dies first, and reduce the risk of outliving your assets.

Those benefits rarely appear in a simple break-even calculation, yet they often have the greatest impact on a successful retirement. For married couples, this discussion is even more important.

When the first spouse dies, one Social Security benefit ends. The surviving spouse generally keeps the larger of the two benefits. That means the higher-earning spouse's claiming decision may continue to affect the household for many years after one spouse is gone.

Viewed from that perspective, delaying benefits isn't just about increasing your retirement income. It may also be one of the most effective ways to protect the financial security of the person you love most.

Practical Takeaway

Don't ask, "How long do I have to live before waiting pays off?" Instead, ask, "If one of us lives much longer than expected, which claiming decision creates the strongest retirement plan?" That's often the question that leads to the better answer.

The Survivor Benefit: The Decision That Lives Longer Than You Do

When couples think about Social Security, they often focus on how much they'll receive while they're both alive. That's understandable. But one of the most important Social Security decisions may not affect you nearly as much as it affects the person sitting beside you.

At some point, one spouse will likely outlive the other. When that happens, one Social Security benefit generally ends, and the surviving spouse continues to receive the larger of the two benefits.

That single fact changes how many couples should think about claiming Social Security.

Suddenly, claiming Social Security isn't just about maximizing your own retirement income. It's also about helping protect the financial security of the spouse who may spend years, or even decades, living without you. That's why the higher-earning spouse's claiming decision often carries greater long-term significance than people realize.

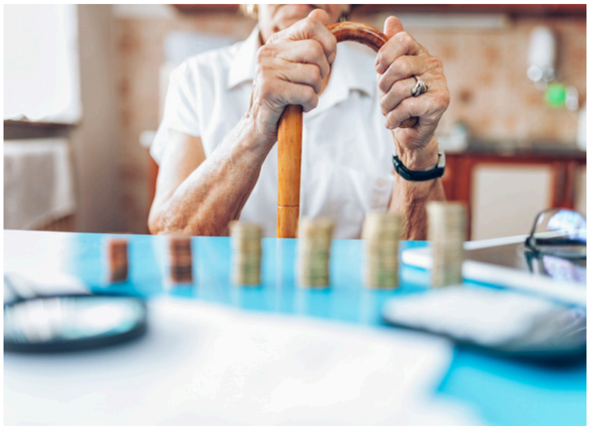
Waiting to claim benefits may increase monthly income while both spouses are living, but it can also create a larger survivor benefit for the spouse who lives longer. For healthy couples with a reasonable expectation that one spouse could live into their 90s, that additional guaranteed income may become one of the most valuable forms of financial protection available.

This isn't simply a Social Security strategy. It's a survivor planning strategy.

I've found that this perspective often changes how couples think about the decision. Instead of asking, *"How can we collect the most money as early as possible?" they begin asking, "If one of us is left on a single income, what will provide the greatest financial security?"*

The surviving spouse may still face many of the same household expenses while living with one Social Security check instead of two. At the same time, healthcare costs often increase later in life, and the surviving spouse may move into a higher tax bracket because many tax benefits available to married couples disappear after the first death.

Those are planning realities—not simply Social Security rules. And they're exactly why survivor planning deserves to be part of every retirement income conversation.



Practical Takeaway

When evaluating your claiming options, don't ask only: "What's best for me?"

Ask: "If one of us lives well into our 90s, which decision provides the greatest financial security for the spouse who remains?"

That question often leads to a different answer—and, in many cases, a better retirement plan.

Taxes, Medicare, and Coordinating Social Security With Your Retirement Plan

One of the biggest misconceptions about Social Security is that it's simply an income decision. In reality, it may also be one of the most important tax planning decisions you'll make in retirement.

That's because claiming Social Security doesn't happen in isolation. It affects—and is affected by—many other parts of your financial life, including taxes, Medicare premiums, investment withdrawals, Roth conversions, and required minimum distributions.

When those decisions are coordinated, they can work together. When they aren't, they often lead to unintended consequences.

For example, many retirees experience several years between retirement and the start of required minimum distributions. Those years can offer valuable planning opportunities. With earned income often reduced and Social Security not yet claimed, some retirees may temporarily fall into a lower tax bracket.

For the right individual, those years may be an ideal time to complete partial Roth conversions, strategically recognize capital gains, or reposition retirement assets before future taxable income rises.

Once Social Security begins—and especially once required minimum distributions begin—the planning landscape often shifts. Additional income can affect the taxation of Social Security benefits, increase Medicare premiums for some retirees, and reduce the flexibility to manage taxable income from year to year.

None of that means delaying Social Security is automatically the right choice. Nor does it mean everyone should complete Roth conversions. It simply means these decisions should be coordinated rather than made in isolation.

That's why we rarely discuss Social Security without also addressing taxes, Medicare, investment withdrawals, or estate planning. Each decision affects the next.

The greatest opportunity isn't optimizing one piece of the puzzle. It's understanding how all the pieces work together. That's where coordinated planning can add meaningful value throughout retirement.

Practical Takeaway

Before deciding when to claim Social Security, ask a different question: "How will this decision affect the rest of my retirement plan—not just this year, but over the next 20 to 30 years?"

Viewing Social Security through that broader lens often leads to better decisions, greater tax efficiency, and a more resilient retirement plan over time.

Should You Worry About the Future of Social Security?

Few retirement topics generate more headlines—or more anxiety—than the future of Social Security.

It's understandable. News stories often focus on funding challenges, projected shortfalls, and potential future changes. After hearing enough of those headlines, many people start asking the same question:

"Should I claim my benefits now, before anything changes?"

It's a reasonable question—but it may not be the right one. The future of Social Security deserves thoughtful consideration, not fear.

Most experts agree the program will require legislative changes over time. What no one knows is exactly what those changes will be, when they'll occur, or who they'll affect. That's why permanent retirement decisions shouldn't be driven by uncertain future legislation.

One of the biggest mistakes is allowing uncertainty about Washington to outweigh certainty about your own financial situation. You can't control what Congress will do, but you can control how prepared your retirement plan is to adapt.

That's why we don't build retirement plans on predictions. We build them on sound principles and test them against a range of "what-if" scenarios. The goal isn't to predict the future. It's to build a retirement plan that's prepared for whatever the future holds.

Markets change. Tax laws evolve. Inflation rises and falls. Life will inevitably bring surprises. A well-designed retirement plan isn't built on a single assumption—it's designed to remain resilient as circumstances change. That perspective shifts the conversation.

Instead of asking, "What do you think Congress will do?"

Ask: "If the rules change, is my retirement plan prepared to adapt?"

That's the question that really matters.

Practical Takeaway

Don't let today's headlines drive a decision that could affect the rest of your retirement.

Instead, build a retirement plan designed to adapt as circumstances change. When your plan is flexible, uncertainty becomes something you prepare for, not something to fear.

Five Mistakes That Can Quietly Cost You in Retirement

Most people don't make poor Social Security decisions because they lack information. They make them because they focus on one piece of the puzzle without considering how it affects the whole picture.

Over the years, I've found that the biggest mistakes aren't usually technical; they're planning mistakes. Fortunately, they're also among the most avoidable.

1. Treating Social Security as a stand-alone decision

It's easy to think of Social Security as a standalone choice: decide when to claim and move on. But that's rarely how retirement works.

Your claiming decision affects taxes, Medicare premiums, investment withdrawals, survivor benefits, and your portfolio's longevity. Looking at any one of those decisions in isolation often leads to a less effective outcome.

The better approach is to ask how Social Security fits into your overall retirement strategy, rather than just when you should file.

2. Focusing only on the monthly benefit

Many people compare benefit amounts and assume the largest monthly check is the best choice. Sometimes it is. Often it isn't.

The value of Social Security isn't measured by the size of a single payment. It's measured by how that income supports the rest of your retirement plan. In some cases, claiming earlier creates flexibility that's more valuable than waiting. In others, delaying benefits strengthens long-term financial security for you and your spouse.

The goal isn't to maximize a single number. It's to strengthen the overall plan.

3. Letting headlines drive long-term decisions

Every few years, headlines warn that Social Security is running out of money. At other times, strong markets convince investors that they'll never need to rely on it.

Neither headline should determine a decision that could affect your retirement for decades.

Good planning isn't driven by fear or optimism. It's driven by sound analysis and a plan built to adapt as circumstances change.

4. Overlooking the surviving spouse

For married couples, this may be the costliest mistake of all.

When the first spouse dies, one Social Security benefit typically ends. That means the higher-earning spouse's claiming decision can continue to affect the surviving spouse for years, sometimes decades.

The question isn't simply how to maximize benefits while you're both alive. It's how to help provide financial security for the spouse who may one day have to continue without you.

5. Looking for a one-size-fits-all answer

One of the questions I'm asked most often is, "Should everyone wait until age 70?"

The honest answer is no. There is no universally "best" claiming strategy because no two retirements are identical.

Health, longevity, taxes, investments, income needs, family circumstances, charitable goals, and legacy objectives all influence the decision. That's why rules of thumb rarely outperform well-designed planning.

Practical Takeaway

If there's one lesson I hope you take away from this guide, it's this:

The best Social Security decisions aren't made by focusing solely on Social Security. They're made by understanding how Social Security fits into every other part of your retirement plan.

When your investments, taxes, income strategy, Medicare decisions, and estate plan work together, retirement becomes more than a collection of financial decisions. It becomes a coordinated plan designed to support the life you've worked so hard to build.

The Decision Behind the Decision

Social Security isn't just a claiming decision. It's a planning decision.

Over the past several pages, we've explored taxes, survivor planning, Medicare, longevity, and market uncertainty. While each topic matters, they all point to a much larger idea:

Successful retirement planning isn't about optimizing individual decisions. It's about making decisions that work together.

That's what gives people confidence in retirement.

- Not predicting what the markets will do.
- Not guessing how tax laws may change.
- Not worrying about what Congress might do next.

Confidence comes from knowing your retirement plan is built to adapt.

Life rarely unfolds exactly as planned. Markets change. Tax laws evolve. Health changes. A well-designed retirement plan should be built to adapt as life changes.

That's why I believe the best retirement plans aren't built around products, predictions, or rules of thumb. They're built on sound principles. They're coordinated and flexible. Most importantly, they're designed around the people they're meant to serve.

Social Security is one of the most important pieces of that plan—but it's still only one piece. When it's coordinated with your investments, tax strategy, estate plan, healthcare planning, and long-term goals, it becomes much more than a monthly benefit. It becomes another source of financial confidence.

As you think about your own Social Security decision, resist the temptation to ask,

"What's the best claiming strategy?" Instead, ask, "What's the best strategy for the retirement my family wants to live?"

The answer to that question may not always maximize one benefit. But it often leads to something even more valuable.

The best Social Security strategy isn't necessarily the one that produces the largest benefit. It's the one that gives you the greatest confidence that your retirement can sustain the life you've worked so hard to build.

Appendix: Social Security Planning Reference

This appendix offers a quick reference to several key Social Security planning concepts covered throughout this guide. Because certain rules and thresholds change periodically, always verify the current information before making important retirement decisions.

Retirement Ages

Age 62 – Earliest Claiming Age

The earliest age most individuals can begin receiving Social Security retirement benefits. Claiming at age 62 provides income sooner but permanently reduces your monthly benefit.

Full Retirement Age (FRA) – Ages 66 to 67

Your Full Retirement Age depends on your birth year and is the age at which you're eligible to receive your full, unreduced retirement benefit. It also serves as an important planning milestone because several Social Security rules change once you reach FRA.

Age 70 – Maximum Delayed Benefit

Waiting beyond Full Retirement Age generally increases your monthly benefit until age 70. There is no further increase for delaying benefits beyond age 70.

Family Benefits

Spousal Benefits

A spouse may be eligible to receive benefits based on the other spouse's earnings record if the eligibility requirements are met. Coordinating these benefits can significantly affect a couple's retirement income.

Survivor Benefits

When one spouse dies, the surviving spouse generally receives the larger of the two Social Security benefits. For many couples, this makes the higher-earning spouse's decision to claim especially important.

Divorced Spouse Benefits

Individuals who were married for at least 10 years may qualify for benefits based on a former spouse's earnings record if they meet certain eligibility requirements. Claiming these benefits generally does not reduce the former spouse's benefits.

Important Planning Considerations

Taxes:

Your claiming decision can affect how much of your Social Security benefit is taxable and influence your overall lifetime tax strategy.

Medicare:

Retirement income may affect Medicare premiums, making it important to coordinate these decisions.

Longevity:

A longer retirement increases the value of guaranteed lifetime income and should be part of every claiming decision.

Survivor Planning:

For married couples, protecting the surviving spouse is often just as important as maximizing current retirement income.

Roth Conversions:

The years before claiming Social Security may present valuable opportunities for tax-efficient Roth conversions.

Trusted Resources

Social Security Administration - www.ssa.gov. By phone 800-772-1213

The official source for Social Security benefits, retirement estimates, online account access, calculators, and claiming information.

Centers for Medicare & Medicaid Services (Medicare) - www.medicare.gov

The official source for Medicare enrollment, coverage options, premiums, and eligibility information.

Century Management Financial Advisors

For personalized retirement planning, Social Security claiming strategies, tax-efficient retirement income planning, and coordinated wealth management.

Website: www.centman.com
Phone: 512-636-2026 or 512-329-0050

Ready to make one of the most important retirement decisions with confidence? Schedule a conversation with our team.

Scott S. Van Den Berg

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Schedule a meeting today.

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