

GETTING YOUR DUE

Plan ahead to maximize Social Security benefits

By **BERNADETTE STARZEE**

Many workers stand to earn well in excess of \$1 million in Social Security benefits if they live into their 90s. Because actions you take can significantly impact the total purse, it's important to plan properly.

"Like a lot of government programs, Social Security is a complex process," said Craig Ferrantino, president of Craig James Financial Services in Melville. "Some people may not be taking their Social Security benefits in the most efficient way."

Workers should start planning their strategy around age 60, sitting down with a financial professional with expertise in Social Security benefits to create a personalized plan, Ferrantino said.

"There is a vast number of loopholes and



CHRISTOPHER WILLS: Former spouses (who were married at least 10 years) can claim spousal benefits without notifying their ex.

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Photo by Bob Giglione

Strategic planning can increase Social Security payments

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systematic approaches to Social Security," he said. "However, there is no clear-cut formula that can plug into any financial plan."

Americans turning 66 this year can begin claiming their full Social Security benefit, which is known as the primary insurance amount, according to Christopher Wills, director of wealth management for R.W. Rogé & Co. in Bohemia. However, the age to receive full benefits will soon begin phasing up to 67 for Americans born in 1960 or later. (The phase-up will start with people born in 1955, who can take full benefits at 66 years, 2 months.)

In years to come, the age for full benefits will likely continue to rise as Americans live longer, said James Sanford, founder and portfolio manager of Sag Harbor Advisors in Sag Harbor.

"We're all going to be working longer than we expect – longer than generations before us," Sanford said.

Though the full benefits age is currently 66, retirees can begin receiving Social Security payments as early as age 62 or as late as age 70. But the longer they wait, the greater the annual benefit.

**THE LONGER YOU
WAIT TO CLAIM
YOUR BENEFITS,
THE GREATER THE PAYMENTS.**

Total benefits are based on how much the individual earned and paid into the system during his lifetime. Currently, the maximum benefit – if someone begins taking benefits at age 62 – is \$20,064. But if that individual waits until age 70, the annual payout more than doubles, to \$44,062, Wills said, noting benefits increase from 7 to 8 percent each year, which is compounded.

While people who take their benefits sooner can enjoy years of Social Security earnings before age 70, Wills recommends those with a normal life expectancy wait until age 70 if they can.

"Age 78 is the breakeven point; after that the difference [in earnings] magnifies," he said.

Taking benefits before age 66 has additional drawbacks for individuals who are still working. Those who earn more than \$15,480 in 2014 and claim early benefits will have to give some of the benefits back.

"For every \$2 you earn over that amount, you have to give \$1 of your benefits back," Wills said, noting someone earning \$50,000 would have to give back \$17,260 – half the difference between \$50,000 and \$15,480.

There are three types of Social Security benefits – worker, spousal and survivor – which Ferrantino said creates some confusion.

"You can't receive all three at once, but

there are planning implications in order to maximize your benefit," he said.

Individuals who are/were married for 10 years or more can claim half of their spouse's or former spouse's benefits, beginning at age 62, while widows and widowers can claim survivor benefits as early as age 60 (however, as with worker benefits, the earlier benefits are taken, the lower the annual total).

With survivor benefits, widows or widowers can take the higher of their own worker benefit or their late spouse's benefit, but not both.

"So if one spouse's total benefit is \$20,000 and the other's is \$10,000, and one of them dies, the total benefit for the sur-

living spouse would be \$20,000," Wills said.

Much of the strategizing involves spousal benefits. If, for instance, a husband's primary insurance amount is \$20,000 and his wife's is \$8,000, the wife can take a spousal benefit of \$10,000 – half her husband's primary insurance amount – at age 66 instead of taking her own worker benefit of \$8,000. By delaying the collection of her own benefit, it will continue to grow until she reaches age 70 and eclipse the \$10,000 spousal benefit, Wills said. She can then switch to take her own benefit.

In the case of divorce, it surprises many individuals to learn they can claim spousal

benefits without even notifying their former spouse.

"Just go to Social Security, identify your former spouse, apply and start collecting," Wills said. "[The former spouse] never has to know."

At any time, workers can and should visit www.SocialSecurity.gov to look up their expected benefit total, so they will have a realistic picture.

"People need to know what they can expect to earn from Social Security," Sanford said. "In many cases, the number will come up far shorter than they think, and they will see they need to put greater focus on private savings and retirement plans."