

LYNN'S TOP FIVE - Social Security Income Tactics

By Lynn Ballou, EA, CFP®

It seems odd to have a column with this title because most of us probably assume that there's no strategic Social Security income planning involved: you get what you get! But that's not necessarily the case. Some forethought and planning can go a long way toward helping you maximize your benefits. MUCH has been written about this topic; a simple internet search about "Social Security Benefits" will yield more information than you can probably read between now and your retirement date! As usual, I'll touch on five less typically discussed planning ideas for your consideration

1) Begin Social Security at 62 or wait? In our practice, this question ranks as one of the most frequently asked questions. And of course we can answer with "clarity": IT DEPENDS! So, what does it depend on? The obvious answers depend on everything from are you still working to what are your other retirement income resources. Remember that the income you receive from Social Security is based not just on your work history, but also life expectancy. If you have every reason to believe you will live a long life, and you can afford to do so, waiting until you are 70 may be your best choice. If you have a spouse, the two of you should do joint planning to see what age(s) give the most benefit to you, often yielding the

conclusion that one spouse should start collecting at 62, or sometime before their full retirement age --- the other at age 70. And, if one spouse (let's say the husband) is still working, but has reached full retirement age, he may be able, even though he is still working, to collect 50% of his wife's full retirement benefit. To have this be true, she must already be receiving social security income. Then, when he actually retires, he should apply to receive his own higher (we assume it's higher in this example) benefit.

2) The Tax Planning Angle: One stealth benefit of waiting to receive benefits? You won't pay taxes on Social Security if you aren't receiving the income yet! And this might impact your planning about drawing down on OTHER assets, such as pre-tax IRAs. Currently in California we don't pay taxes on our Social Security Income, but on our Federal returns, as much as 85% is taxable. As we see new tax laws enacted to pay off the growing national debt and pay for public health care reform legislation, you might see changes that should alert you to think about strategy shifts. If you are married and one of you could start social security benefits, it may still make sense to wait if your spouse is still working, because your combined tax bracket would be so costly. In the meantime, your eventual benefits could continue to grow.

3) Divorced Spouse Options: My business partner, Marilyn Plum, CFP, points out, that "if you have been married at least 10 years and are divorced, you are most likely eligible for the greater of your own social security benefit or 50% of your ex-spouse's benefit." According to Marilyn, you must be 62 or older and your ex spouse must be of Social Security age, but not necessarily receiving benefits. She also points out that "if you are of full retirement age, you have a choice of receiving the divorced spouse benefit now, and waiting to a later age to switch to your own benefit if it is greater than what you receive as spousal benefit." With this strategy, you can continue to work and let your own social security grow.

4) Benefits for Widows and Widowers: Most of us don't realize that if our spouses are deceased, and we have not remarried, we are eligible to begin receiving Social Security income at age 60 on our deceased spouse's benefit account. But what's really helpful to know is that we can then switch to our own retirement benefits (if eligible and a better benefit) as early as age 62.

5) Hit the RESET Button! There aren't many times in life when we are given a "Do Over" option! In these difficult economic times, many retirees are going back to work and others are facing steep declines in their

investment portfolios, creating less retirement income than they had planned on. So, for those who begin receiving Social Security benefits early on and later regret that decision, until they are age 70, they can choose to reset to their higher age benefit amount. This is done via form SSA-521. Bad news: You must pay back all the benefits you've received so far. Good news: you don't have to pay interest on that amount and you may be able to deduct the repayment on your tax return.

It's important for you to arm yourself with information before making key Social Security decisions. The Social Security website is: www.ssa.gov and has excellent information. However, it's always wise that you not only read available information, but also meet with your trusted advisors and a Social Security representative to discuss your own situation and planning options. Only then will you feel comfortable with the

important choices and elections you face.

Wishing you a very happy and lengthy retirement!



Lynn Ballou is a Certified Financial Planner (CFP®) and co-owner of Ballou Plum Wealth Advisors, LLC, a Registered Investment Advisory (RIA) firm in Lafayette. Lynn is also a Registered Principal and Branch Manager with LPL Financial (LPL). As such, she is required by securities regulations to add the following information to this column: The opinions voiced in this material are for general information only and not intended to provide specific advice or recommendation for any individual. Securities offered through LPL Financial, member FINRA/SIPC. Reach Lynn Ballou at lynn@ballouplum.com

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