Updated 1/27/16 with improved notes.

Pencil & Paper Analysis of

Best Ages to Start Social Security

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You will want to print a copy of this material before putting your own pencil to it.

What are the best ages to start Social Security?

Delaying the start of Social Security a few years almost always provides better retirement income providing that there are sufficient savings to support the interval without Social Security payments. That's because it's very difficult for a retiree to achieve high enough returns to get a larger income from the savings used to support the delay. Those savings must be in liquid accounts of conservative securities to ensure they will be available when needed.

The negative factors include the possibility that Social Security benefits may be reduced in the future and, for those whose savings are all in qualified accounts like a 401(k) or IRA, possible high taxes on the withdrawals. In the latter case, the savings balance in the attached chart should be reduced to account for those income taxes. To get the after-tax value of a qualified savings balance, multiple the account's balance by (1 – Average Future Tax Rate). Example: The after-tax value of a 401(k) balance of $400,000 would be $400,000 x (1 – 25%) = $400,000 x .75 = $300,000 if the estimated future taxes after deductions would average 25% of gross income.

If Social Security is to be changed, there will be substantial debate in the Congress and the necessary President's approval. AARP and the Seniors Coalition will provide strong lobbying efforts to maintain higher payments as will the large voting population of elderly people and Boomers not yet getting Social Security. Hence there will be plenty of time to make a decision to start Social Security a little earlier and be grandfathered into that value. The same logic applies should the Congress try to increase the part of Social Security that is taxed.

The following chart is set up to make comparisons for starting Social Security at different ages. It includes Spousal benefits which you can ignore if single by simply inputting zeroes for spousal Social Security values. Try two cases simultaneously and, in most cases, the one that provides the higher retirement income would be the better choice even if the delays consume most of available savings.

The main assumptions are that all working income stops at the primary earner's retirement and that after-tax returns equal inflation. The latter assumption is discussed in the Market Watch article http://www.marketwatch.com/story/save-like-a-squirrel-2013-01-24. In the past, a retiree with a mix of money markets, a low cost bond fund, and a portion in low cost stock funds came close to getting a return approximately equal to or exceeding inflation.

To complete the following analysis, you may have to go to www.ssa.gov to get your Full-Retirement-Age (FRA) benefit. That's the amount that you would get if you started your Social Security at the somewhere between the ages of 66 and 67 depending on your birth year. You will also need the balance of your savings now if retired or an estimate of what they will be at retirement. You can get Social Security benefits at other ages either from www.ssa.gov or by using the table at the bottom of the chart by simply multiplying the chart's closest factor to your case times the Full-Retirement-Age benefit.

Note that it is impossible to forecast the future and that this simplified analysis may not be sufficient, as when there is a large difference between spouses' ages or getting a pension. It is advisable to consult with a fee-only Certified Financial Planner before actually starting retirement and Social Security. The professional can also advise you on investments, insurance, estate documents and other issues that may affect your retirement.

Users of this program agree to accept the following disclaimer:

Disclaimer

Which ages are better to start Social Security?

For more information or refined calculations, see www.analyzenow.com.

| | Today's date |

"You" are the spouse with the higher Full-Retirement-Age (FRA) benefit. FRA is between 66 and 67. See www.ssa.gov.

Row	Example	Case 1	Case 2	< Good to describe the differences between cases on an attached sheet.
A	300,000			Savings balance now if retired or estimated balance at retirement
B	50,000			Less reserves for emergencies and future specific large expenses
C	250,000			Available savings to use for support if delay start of Social Security = A - B
D	68			Your age to start social security
E	24,000			Your Full-Retirement-Age ANNUAL benefit
F	27,840			Your annual Social Security benefit at age to start
		Note: Either get from www.ssa.gov or estimate by multiplying row E by Primary factor from table below.		
G	63			Larger of your age now or your retirement age
		Medicare starts at age 65 and may be important in determining when you should retire.		
H	5			Years of delay = D - G
K	139,200			Support during delay = F x H
L	110,800			Savings remaining = C - K. If negative, cannot delay social security this much.
M	66			Spouse's age to start Social Security
N	10,000			Spouse's ANNUAL Full-Retirement-Age benefit
P	5,000			Spouse's own ANNUAL Social Security benefit at spouse's age to start
		Note: Either get from www.ssa.gov or estimate by multiplying row N by Primary factor from table below.		
Q	12,000			Spouse's ANNUAL spousal benefit at that age
		Note: Either get from www.ssa.gov or estimate by multiplying row E by Spousal factor from table below.		
R	12,000			Larger of spouse's own benefit or spousal benefit (P or Q)
S	59			Larger of spouse's age now or spouse's age when primary earner retires
T	7			Years of delay = M - S
U	84,000			Spousal support from savings during delay = R x T
W	26,800			Remaining savings = L - U. If negative, try starting social security earlier.
X	35			Estimated years from retirement till both spouses dead
Y	766			Annual "safe" inflation-adjusted income from savings = W / X
Z	40,606			Annual total of both spouse's Social Security plus savings income = F + R + Y

The better choice is the case that gives the higher income.

Social Security Factors

Multiply factor times FRA benefit for closest FRA age.

Age	FRA = 66 Primary	FRA = 66 Spousal	FRA = 67 Primary	FRA = 67 Spousal
62	0.750	0.325	0.750	0.325
63	0.813	0.369	0.800	0.375
64	0.875	0.413	0.850	0.425
65	0.938	0.456	0.900	0.475
66	1.000	0.500	0.950	0.525
67	1.080	0.500	1.000	0.500
68	1.160	0.500	1.080	0.500
69	1.240	0.500	1.160	0.500
70	1.320	0.500	1.240	0.500

Notes:

A spouse cannot take a spousal benefit until the primary earner has filed for Social Security. Usually no benefit for low earning spouse to delay past FRA. This analysis does not account for a spouse who starts Social Security on own benefit and then gets a larger spousal benefit when the primary earner files. Unless the spouse lives only a short time and/or savings are low, this is usually a minor contribution to what would be the result in row Z. www.analyzenow.com has comprehensive program that includes this contribution as well as survival benefits which may influence some decisions.