Social Security Benefits Update: Are you leaving money on the table?

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At a recent conference, we asked a room full of successful professionals this question: “Who here still has a personal pension plan?” Three hands out of 50 went into the air.

Our next question: “Who here has a pension plan that provides monthly income as long as you live; adjusts for inflation; offers spousal, survivor, and divorced spouse benefits—and is *guaranteed by the federal government*?” Even the three raised hands went down.

What we said next surprised everyone in the room: “Every single hand in this room should be raised. Because every one is this room is entitled to Social Security benefits. Even more, when managed effectively, your Social Security could be your largest retirement asset, providing a level of income that may exceed your 401(k) plan and any other retirement savings you’ve accumulated to date. For many, Social Security may offer $1 Million or more in lifetime income benefits.”

That news surprised everyone in the room. If it surprises you as well, this fact may too: According to the National Social Security Association, LLC, over 90% of recipients leave money on the table when it comes to claiming Social Security benefits. In fact, many people receive *tens of thousands*—in some cases, even *hundreds of thousands of dollars*—less than they should over the course of their retirement. Here’s why:

- **Social Security rules are extremely complex.** While most retirees adhere to the basic guidelines, there are *more than 2,700 rules governing Social Security*. With so many rules—many of which are specific to very unique situations—it takes years of study to learn how and when to apply them.
- **Misinformation is everywhere.** While these rules can be navigated, they are often difficult to interpret. As a result, the media and even many professional advisors are misinformed about how to leverage Social Security rules to gain maximum benefits.
- **Social Security personnel can’t help.** While it seems obvious that your local Social Security office would be the best place to get guidance, just as the IRS doesn’t help with income tax preparation, Social Security staff is prohibited from offering planning advice regarding your benefits.
- **Formal training in Social Security benefits is rare.** Finding a qualified accountant to help decipher the tax codes is usually an easy task. Few advisors across the country, however, have received the in-depth training and passed the necessary exam to obtain a National Social Security Advisors (NSSA) designation.

Rise above the confusion to boost your retirement income

Despite the obvious challenges, it is possible to maximize your benefits and claim your full benefit. While navigating all 2,728 rules requires the help of a trained professional, here are just a few that can have a significant impact on the amount you receive in retirement every month:

1. **Get guidance *before* claiming your benefits.** Your initial social security income election is a *permanent election*, which means even a small mistake could lock you out of a portion of your benefits—for life. The wrong election could potentially cost you *hundreds of thousands of dollars* in lost income.
2. **File your claim at the optimal time.** While benefits may be claimed as early as age 62, your benefits jump considerably by waiting until Full Retirement Age (FRA), which is 66 or 67

depending on your birth year. After FRA, your benefit increases by 8% plus cost of living adjustments (COLA) for every year you postpone distribution until age 70. This can mean an *increase of as much as 76%, plus COLA,* if you wait to receive benefits until age 70.

3. **When you do file, select the best possible option.** If you wait until FRA to file, there are options that can even further increase your income, depending on your specific situation. The two most common strategies are "***File and Suspend"*,** which delays distribution so your benefits increase at 8% per year, but allows your spouse to begin receiving benefits immediately; and "***File and Restrict"***, which allows married or divorced individuals to restrict benefits to a "spousal benefit" amount and enable their own benefit amount to continue to grow at 8% per year.
4. **Take full advantage of spousal and dependent benefits.** Many people don't realize that Social Security benefits are available to the spouse and dependents of the claimant. Dependents 18 and under are eligible for as much as 50% of the claimant's benefits. Spousal benefits also typically equal about 50% of their partner's full benefit amount. But you must file a claim to receive these benefits.
5. **Widowed, divorced, or both? Don't miss out on available benefits.** If your spouse is deceased and you were married at least 9 months, you may file to receive full benefits (again, pay attention to timing and filing options to receive the maximum benefit). If you are divorced but had been *married for at least 10 years* and *divorced for at least two years* you may be eligible to claim benefits based on your ex-spouse's benefit amount, as long as you are not remarried. If you *have* married again, you are not eligible for ex-spouse benefits unless your later marriage ended in divorce or death of your spouse. Note, however, that if you *remarry after age 60 and your ex-spouse dies*, you are eligible for ex-spouse survivor benefits.

Of course, with thousands of Social Security rules to navigate, this is only the beginning. The important thing to understand is that leveraging the rules to your advantage can increase your retirement income for the rest of your life. With careful planning, a typical couple could receive more than $1 Million in combined Social Security benefits, far exceeding the average retirement savings of most Americans, as well as the expectations of most retirees.

So the next time someone asks if you have a personal pension plan, raise your hand high, and then put a plan in place to get that million dollars (or more) off the table and straight into your own pocket.

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