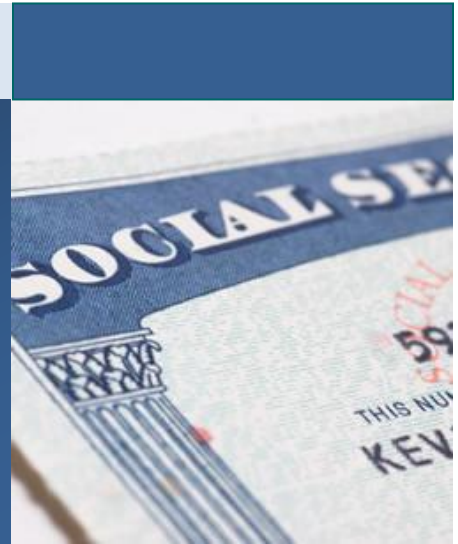


Social Security Benefits Maximization for Couples

BY SCOTT HUGHES, CFP®, MBA



One of the biggest financial questions you may face as a couple in your 60's is at what age you should file to receive your Social Security benefits.

This question becomes even more complex when you consider coordinating your Social Security benefits with those of your wife or husband. It is very important to understand the value of your benefits as well as the value of your spouse's Social Security benefits.

WHY IS IT SO CRITICAL?

As a married couple, you can draw benefits on your earnings or draw one-half of your spouse's benefits. In essence, you have two earnings records to consider and file on, not just one.

Additionally, if you or your spouse predeceases one another, you will have the option to keep receiving your benefits or switch over to your spouse's benefit (if it is greater). This provides each of you with a unique and important guarantee of income for both of your lives and one that has historically increased at 2.8% per year.

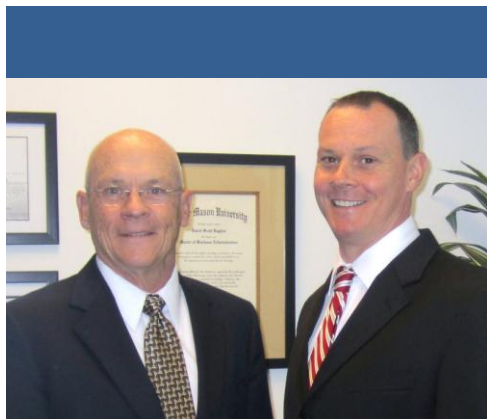
Unfortunately, according to the U.S. Social Security Administration, 74% of retirees receive reduced Social Security benefits – meaning they voluntarily reduced what they were entitled to by taking their benefits earlier than their full retirement age (between the ages of 62 to 66). For many this may not have been a wise decision and is an alarming trend that tends to hurt women's financial situations more than men's. Social Security benefits for the average retiree in 2008 was \$1,153, with men receiving an average of \$1299 and women only \$1,001. From that view, women have a bit more of a financial burden than men.

Women also have a longer life expectancy than men which could add to that burden. This is challenging when considering Social Security benefits because a 65 year-old female has an average life expectancy of 19 years. That's just the average, so consider that your retirement period may be longer than you expect. Perhaps you live into your 90's or even possibly break the century mark!

According to the Social Security Administration, 74% of retirees received reduced Social Security benefits – voluntarily.

When taking your benefits early, you'll only receive 75% of what you would have received had you waited until your full retirement age.

Over the next 75 years, Social Security's trust funds will require additional revenue equivalent to \$6.5 trillion in today's dollars to pay for all scheduled benefits.



One key consideration is *when* to start to ask for the checks you are entitled to. You can take reduced benefits starting at age 62, you can wait and take benefits at your full retirement age 66 (if you were born between 1943 and 1954), or you can wait even longer and delay taking benefits up until age 70.

If you take benefits early, you will receive only 75% of what you would have received

if you had waited until your full retirement age, but you do start the process sooner. Conversely, if you delay taking benefits until age 70, you can accrue benefits that are 132% of your full retirement age, but you will forgo receiving a check for some time. Over many years the disparity can have a dramatic affect on your monthly benefit. If you factor in the annual cost of living adjustments the differences are even

On August 14, 1935, President Franklin D. Roosevelt signed the Social Security Act into law.

HUGHES FINANCIAL SERVICES, LLC, is an independent Registered Investment Advisory firm that works closely with individuals and families, helping them to accomplish their life goals through the allocation of their financial assets. We offer an impressive wealth of expertise in retirement and estate planning, investment and risk management, insurance, and education planning. Our advisors hold a variety of professional designations and certifications and are well versed in a number of financial disciplines. Our combined education and experience allows us to proudly offer you independent financial advice that you can trust.

So how do you make an informed decision?

Make sure to consider your health and your spouse's health. Consider your family history. Do you have longevity in your genes or not? Simply put, taking your benefits earlier might make sense if you are anticipating a shorter life expectancy, but if you have a longer life expectancy and can afford to wait, strongly consider delaying taking your benefits.

Remember, the age in which you take your benefits does not have to be the same for you and your spouse. In fact, many couples purposely choose to take benefits at different ages. This can act as a hedge with one spouse taking benefits earlier while the other spouse delays taking those benefits.

One model that can be utilized by couples requires that either you or your spouse delays taking benefits until age 70 in order to maximize the higher benefits even further. Typically if your benefits are higher, you would delay; if your spouse's benefits are higher, he or she would delay. The spouse with the lower benefit can then file to receive benefits sooner. If one or both of you live past your mid-70s (which is likely) delaying taking the higher benefit could really pay off, while in the earlier years of your retirement you will have received some consolation by receiving the smaller benefit.

A final consideration is whether or not you intend to work during your retirement. If you plan to receive your Social Security benefits and are younger than your full retirement age, some of your benefit payments will be reduced. In 2010, individuals younger than their full retirement age may earn up to \$14,160 without a reduction. Any earnings after that could result in withholdings that will be credited back to your earnings record once you have reached your full retirement age. Of course, if you have already reached full retirement age then there is no withholding of your benefits.

Coordinating your benefits with your spouse is a crucial retirement planning consideration. This involves understanding the value of your benefits if you take them early, at full retirement age, or delay taking them until past your full retirement age. Considering both of your situations and answering the above questions will greatly assist you in making an informed decision. Please consider Hughes Financial Services a resource at any time to assist you with this process.