

When Should You Start Collecting Social Security?

The question of when you should start collecting Social Security is a fundamental one for any person planning for retirement. It is also deceptively simple, coming with its fair share of hidden considerations and then some.

An individual can apply for Social Security as early as age 62 or wait up to age 70. The former results in a reduced payment, while waiting a few years longer entails a bump in payment size. Individuals can also opt to apply for Social Security at their normal retirement age, which currently sits between 66 and 67 for most.

But it's crucial to note that, when it comes to collecting Social Security, no two situations are the same. The right option for one individual may not be the same as for the next.

In a vacuum, waiting until age 70 ensures the best bang for your buck. However, taking Social Security before then might be a better option under certain circumstances.

For example, if an individual were to lose employment or face unexpected monthly expenses like medical bills, the ensuing income gap could be one reason to take Social Security distributions before the full retirement age.

An individual might also opt for Social Security collection at 62 to help keep taxes low. For those with a pension or other reliable retirement income, taking a lower Social Security payout could help avoid entering a higher tax bracket. Individuals with shorter life expectancies might also opt for collecting Social Security earlier, to fully benefit from the payouts.

That said, advisors typically encourage clients to delay their application for Social Security if possible. The main reason for this is the increased payout, but advisors also tout the growth of payments with inflation. Social Security payments are adjusted annually to account for cost of living changes. So if a person has a higher starting payment, those cost of living adjustments could lead to higher payouts down the road.

The decision to wait can also benefit an individual's family. A higher payout could help a spouse or child with survivor benefits.

Statistically, an individual who waits until 70 to start claiming Social Security will see up to a 24% boost in their benefit size.

So the answer to that ever-important question is a resounding, "It depends." It's different for everyone, but one thing is consistent: timing is everything. For those unsure how best to time their Social Security payments, consulting with an advisor may help ease the stress of planning.