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# Know the Key Ages for Your Social Security Decisions

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Social Security is an important bucket of income for many retirees and could total several thousand dollars over a lifetime. The best timing of the decision to start benefits will ultimately depend on factors unique to your situation, such as life expectancy, continued work plans in retirement, and other cash flow sources. However, there are a few key ages to keep in mind as you consider your optimal choice to begin benefits:

**Age 62:** The earliest a retiree can commence benefits. Your monthly benefit will be lower since you are starting earlier than your "Full Retirement Age" (defined below). While taking Social Security early may be beneficial in your situation considering your health, life expectancy, and financial needs, keep in mind that your monthly benefit may be reduced by as much as 30% compared to waiting until your Full Retirement Age.

**Full Retirement Age (FRA):** This is the age defined by the Social Security Administration at which your expected benefit is no longer reduced. There is also no reduction if you have earned income, such as from part-time work. FRA is not the same for everyone and is based on your year of birth, as outlined below:

| Year of Birth | Full Retirement Age |
|---|---|
| 1943-1954 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |

| | |
|---|---|
| 1960 and later | 67 |

***Source:*** *Social Security Administration*

**Age 65:** At this age Social Security will automatically enroll people in the traditional Medicare programs who are already receiving Social Security benefits. Alternatively, if you are not receiving Social Security benefits at this point you will need to make sure you appropriately enroll in Medicare depending on other coverages and eligibility. You have a 7-month Initial Enrollment Period for Medicare that begins 3 months before the month you turn 65, includes the month you turn 65, and ends 3 months after the month you turn 65. You can choose to enroll in Medicare and continue delaying your Social Security benefits.

**Working in retirement and Social Security:** For people younger than their Full Retirement Age (i.e., age 62 up until their FRA from the above chart), it's important to know that working in retirement could impact your Social Security benefits if you file early. If you make more than $18,960 in earned income in 2021, your Social Security benefits will be reduced by $1 for every $2 above that income limit. Let's say your annual Social Security benefit is $20,000, and you earned $28,960 in 2021. Since your income was $10,000 over the limit, one-half of that excess would be deducted from your benefits, resulting in a new annual benefit of $15,000.

In the year of your Full Retirement Age, the reduction changes to $1 for every $3 earned above a limit of $50,520 in 2021. This is similar to the example above; instead, you would take one-third of any excess above $50,520 and subtract it from your annual benefit amount. Income includes W-2 and self-employed earnings, but it excludes investment income (such as dividends, interest, and capital gains), pension income, and annuity payouts.

While you will not receive a lump sum repayment, Social Security will recalculate and increase your monthly benefit amount after your Full Retirement Age. Your filing start date is assumed to be later based on the months you did not receive benefits due to earning too much. In other words, the more you earn above the limits before your Full Retirement Age, the larger the expected monthly increase will be to your monthly benefit.

**Full Retirement Age until age 70:** Social Security will increase your monthly benefit by 8% on an annualized basis if you delay starting benefits after your FRA. Note that this boost from delaying only applies to retirement benefits, not spousal benefits.

**Age 70:** This is the latest age to maximize your monthly benefits by waiting beyond your Full Retirement Age. You may choose to push back filing until this age due to a longer expected life expectancy, a desire to increase the survivor benefits for your spouse, or not needing the cash flow earlier.

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