

Cash In on Your Labor (Day)

Barbeque? Fishing trip? Long snooze in a hammock? Whatever your plans this Labor Day, if you're at or near retirement age, you'd be wise to take a moment to consider how and when you'd like to begin receiving Social Security. Don't let the hard work we celebrate on this day go unrewarded. Take the time to figure out how to get the most out of this valuable benefit.

Where's the money? Before you file for first-time benefits, consider where your largest benefit may lie. If you're married, you have the option of claiming either your own benefit or your spouse's. Or, if you're divorced and your marriage lasted at least 10 years, you may be eligible to claim benefits based on the earnings of your ex-spouse. And then there are survivor benefit options as well as disability. There are a number of options to consider when identifying your strategy to maximize your benefits.

When to file. For starters, the Social Security Administration¹ recommends that you file three months before you'd like your first check to arrive. But you get to decide when that is. If you want your benefits to begin as soon as you're eligible (at age 62), you'll receive a smaller benefit than if you were to wait until "full" retirement age (age 66 if you were born before 1960). While many people choose to draw their benefits as soon as they are able, this does result in a considerable haircut at a 25% reduction of versus waiting until full retirement age of 66. This penalty will also start to increase for those turning 62 next year and beyond as the full retirement age is inching up two months per year until it is 67 for those turning age 62 in 2022.²

Should you wait? If you do choose to wait, the breakeven point—the point at which you will have received more than you gave up by waiting—can be years; therefore, it is important to evaluate your health as well as other income sources that will sustain your lifestyle to help identify if waiting makes sense. While some claiming strategies are no longer available (the "file-and-suspend" approach was banned earlier this year), there are still ways to maximize your benefit. But don't rely on the Social Security Administration for help in making this decision. According to Marketwatch, breakeven calculators on the government site were shut down a few years ago for misleading people into making less-than-optimal timing decisions.³

The paperwork. Once you've determined your strategies, there are the nuts and bolts of claiming. You will need to dig up some paperwork, including your Social Security card, your birth certificate, proof of U.S. citizenship if born outside the U.S., a copy of U.S. military service papers if you served between 1957 and 1968 (service during these years qualifies you for additional credits) and a copy of the previous year's W-2 or self-employment tax form.⁴

It can be overwhelming—there are 2,728 rules in the Social Security handbook alone⁵. So don't try to go it alone. Our experienced team at Cloud Investments, LLC, can help review your options as a critical piece of your total retirement income plan to identify the best strategy for your needs. To discuss your Social Security strategy and retirement income needs, please give us a call at (256) 715-0094 today to request a consultation to learn more!

1 SSA.gov

2 <http://www.foxbusiness.com/markets/2016/08/20/turning-62-in-2017-expect-less-from-social-security.html>

3 [Marketwatch](#). 2012

4 SSA.gov

5 [The Social Security Handbook](#), rev. 2011

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