

Social Security: To Delay or Not to Delay?

By Tammy Flanagan

April 21, 2016

Federal retirees under both the Civil Service Retirement System and the Federal Employees Retirement System earn a government pension and have the opportunity to accrue investment income in the Thrift Savings Plan. Nevertheless, Social Security can still be a significant part of a federal employee's retirement package.

The Social Security Administration reports that in 2015, over 59 million Americans received almost \$870 billion in Social Security benefits. Social Security is the major source of income for most of the elderly in the United States.

[According to SSA:](#)

- Nine out of ten people age 65 and older receive Social Security benefits.
- Social Security represents 39 percent of the income of the elderly.
- Among elderly Social Security beneficiaries, 53 percent of married couples and 74 percent of unmarried persons receive half or more of their income from Social Security.

The decision to claim a Social Security retirement benefit can be as simple as logging into [Social Security's website](#) and filing online about three months before you would like to receive your first payment. Or, it can be a lot more complicated. Here are some reasons why:

- Your benefit is permanently reduced by 20 percent to 30 percent (depending on your [full retirement age](#)) if you claim it at age 62.
- The benefit increases by up to 32 percent if you [delay your application](#) to age 70.
- If you are at your full retirement age and take action [before April 30, 2016](#) you can file, but suspend, receiving your benefit so that your spouse can file on your work record.
- If you file on or after April 30, 2016, you can file at your full retirement age and choose to [suspend receiving your benefit](#). But during the suspension, your family members will not be able to receive benefits based on your work record (with the exception of a former spouse who is entitled to benefits based on your work record). If your benefit payments are suspended, they will start automatically the month you reach age 70.
- If you file for Social Security and you are entitled to your own earned benefit as well as a spousal benefit, you will be "[deemed](#)" to file on both and will receive the higher of the two benefits. There are exceptions to this rule, however: If you turned 62 before Jan. 2, 2016, you can file on your spouse's work record (if he or she has filed for benefits) at your full retirement age and delay receiving your own earned benefit in order to receive delayed retirement credits. If you receive a spousal benefit because you are caring for a child who is under 16 or disabled then you also can delay filing for your own earned benefit. But if you receive spouse's benefits and are also entitled to disability, deemed filing does not apply.

Before you lose sleep over whether and when to claim Social Security, remember that there are some situations when the decision is very simple. Here are a few examples:

If you're working and are over age 62 but under your full retirement age for Social Security, there is an earnings limit that will restrict your ability to receive your benefits. For 2016, the limit is \$15,720. That means that if you earn wages, a salary, or have income from self-employment, for every \$2 you earn over the annual limit, your Social Security benefit will be reduced by \$1. Suppose you're working and earning a salary of \$75,000. That's \$59,280 over the earnings limit. Your Social Security benefit would be reduced by \$29,640. Considering that the average benefit is well under this amount, your entitlement to receive it would be eliminated.

If you're working and are over your full retirement age for Social Security, you may begin receiving benefits regardless of the amount of your earned income. If you're covered under CSRS, but are not yet receiving your retirement benefit because you're still working, the [Windfall Elimination Provision](#) and the [Government Pension Offset](#) provisions will not apply until after you begin receiving your retirement benefits. Remember, receiving Social Security benefits while you are still fully employed will increase your taxable income. Due diligence is a good idea when it comes to tax planning and claiming Social Security benefits. [IRS Publication 915](#) explains taxation of Social Security benefits.

If you're not working, you're past age 62 and you need the income that Social Security will provide, then your options include the following:

- Claim Social Security retirement so you will have the retirement income you need.
- Increase your income by taking larger payments from your retirement savings. Later on, you can reduce the withdrawals from your investments when you claim Social Security retirement.

- Find another source of income to take the place of the value of your Social Security. This way, your retirement savings as well as your Social Security benefits will continue to grow so your future retirement will be more financially comfortable.

It's worth noting that because the value of delaying Social Security is contingent on how long someone lives, it is clearly not beneficial for those who are in poor health or are otherwise not optimistic about living a long time.

If there are two of you, it may be possible to delay Social Security because you both may be contributing income to your household. Consider how that may change if there was only one of you. The decision to delay Social Security will impact the amount of a [widow's benefit](#).

I'll be talking more about Social Security retirement on Thursday, April 28 at 2 p.m. ET in a [National Active and Retired Federal Employees Association webinar](#). The webinar is free for NARFE members.

Photo: [FDR Presidential Library & Museum](#)

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/04/social-security-delay-or-not-delay/127703/>