

Weighing a Delay

The Considerations of Deferring Social Security Benefits

July 27, 2020

For those who can draw on other income sources, it may make sense to delay Social Security benefits until age 70. Discussing the optimal Social Security benefits for a married couple involves several variables to factor for.

For some people, Social Security is their only guaranteed income source that can provide several hundred thousand dollars over their life expectancy. However, for those who have the financial wherewithal to draw on other income sources, it may make sense to delay the start of Social Security benefits until age 70. And married couples, in particular, have the potential to gain by waiting.

Potential Strategy

For those who delay the start of benefits past full retirement, there is an 8% per year increase (not compounded), characterized as a “return” for delaying. For someone whose full retirement age is 66, waiting until age 70 results in $4 \times 8\% = 32\%$ benefit increase. The breakeven point — when the total amount received by waiting to age 70 begins to exceed the total received by beginning at age 66 — is approximately age 81.

Life expectancy tables show that a person who has attained age 66 will live to be age 86.2, and a person who has reached age 70 will live to be age 87. For many, then, delaying Social Security benefits could pay off.

Considerations

Several considerations should be taken into account when making a decision about when to receive Social Security benefits:

- To begin with, you have to think about your health, family health history, financial need, and other retirement asset or income sources available to you. And there is a caveat for delaying benefits: While the payments may be higher, fewer in number are expected to be received. That's because the retiree who has waited will be four years older by then and has a shorter remaining life expectancy from that point forward. Also, keep in mind that the breakeven point is age 81. If most people in your family's history do not live much beyond their early 80s, it may not be advantageous to wait.
- Another consideration is how active people are at different times in their lives. For example, at age 85 (past the breakeven age), you may receive the most significant cumulative dollar amount in Social Security benefits. However, you may not be as active or desire to travel as much as when you were 66. Extra money at age 66 to supplement your lifestyle may provide a better quality of life.
- For married couples, there is the added advantage that either person can live long enough to make delaying the retirement benefit past full retirement age worthwhile. Statistically, there is a 50% chance that one member of a couple where both parties are age 65 and in good health will live to be age 95. If you also have survivors, delaying retirement benefits past your full retirement age increases survivor benefits. If you have spousal or other beneficiaries,

who have benefits that depend on when yours start, be sure to factor this into your decision-making.

Outcomes

Discussing the optimal Social Security benefits for a married couple involves many variables, and you should make decisions within the context of the couple's entire financial picture. By performing a thorough Social Security analysis with your financial advisor, you can analyze the various strategies to determine which one makes the most sense for you and your family.

For more information, [please contact your Key Private Bank Advisor.](#)

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