



ENCORE

How Couples Can Maximize Social Security

By GLENN RUFFENACH

New research suggests there could be an optimal strategy for couples trying to decide when to collect Social Security. In short: A wife should jump early, and her husband should wait.

If our mailbox is any indication, many couples aren't sure when to file for Social Security. Some guidance came in the June issue of the *Journal of Financial Planning*. Alicia Munnell, director of the Center for Retirement Research at Boston College, and Mauricio Soto, a researcher at the center, set out to determine the best age for women to claim Social Security. In doing so, the pair also calculated how a wife and husband could accumulate as many Social Security dollars as possible during their years together -- and during the life of the surviving spouse -- given various differences in ages and pre-retirement income.

Their conclusion: Wives generally should claim benefits at 62 (the earliest eligibility age), and husbands generally should delay filing until 69. (You can read the study at fpanet.org/journal¹. Click on "Past Issues and Articles" for June 2007.)

In theory, most healthy women should wait until their mid- to late-60s to collect benefits and men should start earlier. That's because women are more likely than men to live beyond the "break-even" age at which the accumulated value of higher benefits (for a person who postpones retirement) will start to exceed the accumulated value of lower benefits (for a person who chooses early retirement).

Dr. Munnell and Mr. Soto, though, determined that when a man and woman are part of a couple, each should consider the contrarian path. Their findings are based in large part on differing income levels (and thus, differing Social Security benefits) for men and women, age differences between spouses, life spans -- and on the fact that a surviving spouse (typically, a wife) can collect 100% of a deceased spouse's Social Security benefit.

A husband who delays benefits until age 69 is actually helping his wife -- in the long run -- by increasing the value of her survivor benefit. (This assumes the husband earned more than the wife during their working years, which is often the case.)

The wife, meanwhile, by claiming benefits at age 62, is bringing Social Security dollars into the home for the longest period possible.

Two caveats: If a wife and husband are about the same age and her benefit is expected to be about one-third of his benefit or smaller, the "62/69" recommendation doesn't work as well. (Both spouses should delay benefits.) Second, decisions about Social Security shouldn't be made in a vacuum. When it comes to retirement finances, couples can help themselves in several ways in later life.

Says Dr. Munnell: "My advice generally is that women and men, if they're healthy, should keep working for as long as they possibly can...[and] reduce the amount of time they're dependent on their savings."

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