
Worth the Wait? More Delaying Social Security Past 62

By Jenna Gottlieb Thu, May 14, 2015

"By delaying to age 70, you not only maximize your Social Security benefit, you also lock in the biggest dollar increases possible for the rest of your life. This is something people rarely consider," said Brian Doherty, president of Filtech.

More U.S. retirees are waiting to claim Social Security benefits past the year they become eligible. The reasons: lower Social Security replacement rates, longer lifespans, and disappearing defined benefit plans, according to a new report by the Center for Retirement Research at Boston College.

The percentage of claims at age 62 has dropped dramatically in the last 28 years. In 2013, 35.6% of men and 39.5% of women claimed Social Security benefits the year they turned 62, according to CRR. That's down from 51.9% of men and 63.6% of women who claimed at age 62 in 1985, according to the report *Trends in Social Security Claiming*.

"The good news is that more people are claiming retired-worker benefits at later ages, and this pattern is consistent with increased labor force participation at older ages and the rise in the average retirement age," CRR director Alicia Munnell wrote in the report.

"Nevertheless, in 2013 more than a third of insured workers still claimed Social Security benefits as soon as they became eligible. The question is whether this decision appropriately reflects the individual and family circumstances of these individuals or whether they are making a mistake."

This news should not surprise many advisers, because more of their clients are asking about the benefits of waiting to claim—so they can get the 8% increase in benefits for every year they delay until age 70.

"Over 66% of today's beneficiaries are critically or totally dependent on Social Security to maintain their retirement lifestyle," Brian Doherty, president of Filtech, told *RIJ*. "With people living longer and longer, it's important to make the right claiming decision."

Two to four million people make an irrevocable claiming decision every year. While the increase of defined contribution plans replacing defined benefit plans and the rising costs of healthcare play a role in claiming decisions, other factors also help explain why more people are waiting to claim.

“One factor, for example, is the cost of living adjustment (COLA) feature on Social Security,” said Doherty. “While everyone receives the same annual COLA on their benefits, when you apply that percentage to a larger amount it results in a bigger increase. “So by delaying to age 70, you not only maximize your Social Security benefit, you also lock in the biggest dollar increases possible for the rest of your life. This is something people rarely consider and it’s the only pay raise most retirees receive in retirement.”

Perhaps the message is getting through to more retirees that delaying might make sense for them and their family.

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