

When Is the Best Age for Americans to Claim Social Security?

By Max Richtman

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When to claim Social Security retirement benefits is one of the most crucial financial decisions facing older workers. But not everyone makes informed choices. The timing of the claim is key. The earlier a worker files to receive Social Security, the lower the monthly payment for the rest of that worker's life. The longer a worker waits, the larger the benefit. Workers can claim as early as 62, but face a permanent reduction of benefits for every year they file before full retirement age of 66 (soon to be 67). Even so, nearly half of American workers claim Social Security benefits at 62, and a cumulative 60% claim before full retirement age – electing to accept a significant loss of income for the remainder of their lives.

In fact, an individual's Social Security benefit is reduced 6.66% per year when claiming at age 62-64. For those who delay claiming until 65, benefits are reduced by 5%. In total, workers can lose 25-30% of their full benefit by filing early. To make this more concrete, let's say that Mary's monthly Social Security benefit at full retirement age is \$2,000. If she chooses to retire early at age 62, her monthly benefit will be reduced to \$1,500 – and remain at that amount (adjusted for inflation) for life. However, if she waits to claim until age 63, her permanent benefit jumps to \$1,600 per month. If Mary delays claiming until 64, the benefit is \$1,766. If she defers until 65, it climbs to \$1,900. Of course, if Mary claims at her full retirement age of 66, she realizes her full monthly benefit of \$2,000.

It's clear that for every year that Mary can hang on and delay claiming Social Security, her benefit rises and remains at that level for the rest of her life – in addition to annual cost of living increases. Of course, there's no doubt that some older Americans have little choice but to retire at age 62. Decades of working a physically-demanding job, difficulty finding work at an advanced age, struggling with a chronic illness, or caring for a family member are just a few of the reasons many older workers claim Social Security as soon as they possibly can. We hear of others who are simply sick of working, "tired of the rat race," and ready to retire at 62, which is completely understandable. But as they age, these retirees may be *more* sick and tired of trying to make ends meet on a lower monthly benefit for the rest of their lives.

Plain old human psychology can also play a role. Behavioral scientists refer to this as an “intertemporal choice problem” – between receiving a smaller reward now or a larger one later. Eat that ice cream sundae or demur and avoid diabetes? Sell now or wait for the house to appreciate? Cash-in a 401K early or allow it to continue growing? In making these decisions, the allure of immediate gratification can be stronger than future gain. Researchers at Columbia University found that “people faced with intertemporal choices often emphasize receiving the reward right away.” Apparently, deciding whether to claim Social Security benefits sooner than later is no exception.

Another reason for the rush to file early may be a lack of proper planning. Surveys suggest that a fifth of claimants only begin thinking about when to file for benefits a year before retirement. Another fifth do so only six months beforehand. Of course, hasty decisions can breed disappointing results.

But aren’t retirees better off receiving checks right away than waiting several years for the income to start flowing? Aren’t they losing money in the short run? These questions ignore the reality that Americans are living longer on average than a generation ago. When older Americans accept a lower benefit for the rest of their lives, they risk running short of income when they reach their mid-80s and beyond – a time when out-of-pocket medical and long-term care expenses can escalate. As money specialist Suze Orman recently wrote, “Healthy people in their 60s today have about a 50% chance of living into their 90s. Can you honestly tell me you’re 100% sure you will not run out of money?”

Olivia Mitchell of the Wharton School at the University of Pennsylvania says workers who claim early essentially “sustain a benefit cut for the rest of their lives.” She argues that claiming early “ignores the risk of living a very long time, and doing so with a lower payment linked to early retirement can result in poverty.”

In fact, poverty rates accelerate as people reach their early 80s, says Pamela Herd, Professor of Public Affairs & Sociology at the University of Wisconsin, Madison. “Some of what’s going on is that people are losing other sources of income,” Herd explains. “So when you hit 85, you may have run through private savings at that point. Social Security becomes your financial lifeline.”

The very best way to protect against the rising costs of aging is to *delay* claiming Social Security benefits until *after* full retirement age. Just as benefits are reduced when retiring early, they *increase* every year an individual waits to claim – up to age 70. Let’s see how that would affect our retiree, Mary, whose benefit at full retirement age is \$2,000. If instead of claiming benefits at 66, she waits until age 67, her monthly Social Security check goes up to \$2,160 – and increases 8% from the baseline amount for every year she waits. Delaying retirement until age 70 yields Mary a monthly benefit of \$2,640. Compare that to the \$1,500 she would have received by retiring early at 62. That’s a huge difference in Mary’s monthly benefit check, which could make the difference between financial security and poverty.

For all of these reasons, it's important that older workers and their families be educated about claiming options. If physical incapacity, disability, illness, or caring for a loved one makes deferring retirement impractical, workers should by all means claim early. But those who are healthy enough to keep working and can reasonably expect to live into their mid-80s should consider deferring Social Security benefits as long as possible (up to age 70, when the monthly benefit maxes out) – if they can live on personal income or retirement savings in the meantime.

But how to best educate older Americans on this crucial decision? Once again, behavioral science may offer some practical solutions. The Columbia University researchers found that reframing the choice presented to workers approaching retirement can be quite effective. Participants in a study were told of the financial advantages of claiming benefits later and the consequences of filing early – namely the permanent reduction in their monthly Social Security checks. Simply put, claiming before full retirement age (or later) was presented as a loss; deferring benefits, a gain. Given that choice, a majority of participants elected to delay claiming beyond age 62.

The researchers noted something interesting. Participants' choices were influenced by their Social Security eligibility status. "Those who were eligible to collect benefits were much more likely to prefer claiming early compared with those who were not yet eligible," say the authors. For those already eligible, the lure of the "immediate reward" over the "future reward" was palpable. This reinforces the need to encourage older Americans to consider their Social Security options well before age 62, when the temptation to cash-in is greater.

The Social Security Administration provides an excellent [online tool](#) for calculating benefits. Simply type in a birthdate and anticipated retirement date, and the tool will calculate by how much the benefit will be reduced – or boosted – relative to one's full retirement age. (For people born in 1955 or later, the full retirement age will rise gradually from 66 to 67.)

The bottom line is: older Americans who truly are unable to continue working and have insufficient means to make ends meet without Social Security should claim as soon as they need to. But every month and every year that workers can hang on and delay claiming, the greater their financial security in old age. The reward will be a higher monthly benefit that's guaranteed, fixed, and indexed for inflation for the rest of that worker's life.

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