

## Social Security Benefits: A Decision Analysis

A worker can start collecting Social Security benefits as early as age 62, as late as age 70, or at any age in between. This analysis is for a qualifying unmarried individual born between 1943 and 1954 who stops working at retirement.

### Comparison of Benefits

Full retirement age (FRA) is 66 and has a maximum primary insurance amount (PIA) benefit of \$2,788 per month or **\$33,456 per year**. At age 62 that benefit is permanently reduced by 25% to \$2,091 per month or **\$25,092 per year**. At age 70 four years of deferred retirement credits (8% each year) would be earned and the benefit would increase to \$3,680 per month or **\$44,162 per year**.

We'll assume a 2% annual cost of living adjustment (COLA) on benefits. We account for the time value of money with a 3% discount rate; this allows us to compare the present value (PV) of payments under the three options at age 62.

Age	Early at 62			Full Retirement Age of 66			Delay until 70				
	Benefit payments w/ COLA of 2.0%	Total of Payments	PV of payments at age 62 3.0%	Benefit payments w/ COLA of 2.0%	Total of Payments	PV of payments at age 62 3.0%	Benefit payments w/ COLA of 2.0%	Total of Payments	PV of payments at age 62 3.0%		
<b>62</b>	<b>\$25,092</b>	= benefit if early at 62			<b>\$33,456</b>	= benefit if wait until FRA			<b>\$44,162</b>	= benefit if delay until 70	
63	\$25,594	\$50,686	\$49,940								
64	\$26,106	\$76,792	\$74,548								
65	\$26,628	\$103,419	\$98,916								
<b>66</b>	\$27,160	\$130,580	\$123,047	<b>\$36,214</b>	\$36,214	\$32,176					
67	\$27,704	\$158,283	\$146,945	\$36,938	\$73,152	\$64,039					
68	\$28,258	\$186,541	\$170,610	\$37,677	\$110,829	\$95,592					
69	\$28,823	\$215,364	\$194,046	\$38,430	\$149,259	\$126,840					
<b>70</b>	\$29,399	\$244,763	\$217,254	\$39,199	\$188,458	\$157,784	<b>\$51,743</b>	\$51,743	\$40,846		
71	\$29,987	\$274,750	\$240,237	\$39,983	\$228,441	\$188,428	\$52,778	\$104,520	\$81,296		
72	\$30,587	\$305,337	\$262,996	\$40,783	\$269,224	\$218,774	\$53,833	\$158,353	\$121,353		
73	\$31,199	\$336,536	\$285,535	\$41,598	\$310,822	\$248,825	\$54,910	\$213,263	\$161,021		
74	\$31,823	\$368,359	\$307,855	\$42,430	\$353,253	\$278,585	\$56,008	\$269,271	\$200,304		
75	\$32,459	\$400,818	\$329,958	\$43,279	\$396,532	\$308,056	\$57,128	\$326,399	\$239,205		
76	\$33,108	\$433,926	\$351,846	\$44,144	\$440,676	\$337,241	\$58,271	\$384,670	\$277,729		
77	\$33,771	\$467,697	\$373,522	\$45,027	\$485,703	\$366,142	\$59,436	\$444,106	\$315,879		
<b>78</b>	\$34,446	\$502,143	<b>\$394,988</b>	\$45,928	\$531,631	<b>\$394,763</b>	\$60,625	\$504,731	\$353,658		
79	\$35,135	\$537,278	\$416,245	\$46,846	\$578,478	\$423,106	\$61,837	\$566,568	\$391,071		
80	\$35,838	\$573,115	\$437,296	\$47,783	\$626,261	\$451,173	\$63,074	\$629,643	\$428,120		
81	\$36,554	\$609,670	\$458,142	\$48,739	\$675,000	\$478,969	\$64,336	\$693,978	\$464,810		
82	\$37,285	\$646,955	\$478,786	\$49,714	\$724,714	\$506,494	\$65,622	\$759,600	\$501,143		
<b>83</b>	\$38,031	\$684,986	\$499,230	\$50,708	\$775,422	<b>\$533,752</b>	\$66,935	\$826,535	<b>\$537,124</b>		
84	\$38,792	\$723,778	\$519,475	\$51,722	\$827,145	\$560,746	\$68,273	\$894,809	\$572,755		
85	\$39,568	\$763,345	\$539,523	\$52,757	\$879,901	\$587,477	\$69,639	\$964,447	\$608,041		
86	\$40,359	\$803,704	\$559,377	\$53,812	\$933,713	\$613,949	\$71,032	\$1,035,479	\$642,984		
87	\$41,166	\$844,870	\$579,039	\$54,888	\$988,601	\$640,164	\$72,452	\$1,107,931	\$677,587		
88	\$41,989	\$886,860	\$598,509	\$55,986	\$1,044,587	\$666,124	\$73,901	\$1,181,833	\$711,855		
89	\$42,829	\$929,689	\$617,790	\$57,106	\$1,101,693	\$691,832	\$75,379	\$1,257,212	\$745,790		
90	\$43,686	\$973,375	\$636,884	\$58,248	\$1,159,940	\$717,291	\$76,887	\$1,334,099	\$779,395		

### Crossover Ages: 62 vs. 66 vs. 70

We can now identify the approximate age (highlighted in red) where one option becomes more valuable than another.

**Crossover Age #1 is approximately age 78:** the present value of starting benefits at age 66 (\$394,763) passes the present value of starting benefits at age 62 (\$394,988). If one's life expectancy is beyond age 78, one is best off to wait to start claiming benefits until age 66.

**Crossover Age #2 is approximately age 83:** the present value of starting benefits at age 70 (\$537,124) passes the present value of starting benefits at age 66 (\$533,752). If one's life expectancy is beyond age 83, one is best off to delay claiming benefits until age 70.

### Conclusion

Estimating crossover ages allows one to make a decision based on their thoughts regarding their life expectancy and their need for income. Unless one absolutely needs the income to live on, for someone with a normal life expectancy, the most valuable option is to claim Social Security benefits at FRA, and likely delay claiming benefits until age 70.