

Should I Suspend & Restart Social Security?

It's popular right now to talk about suspending Social Security payments at a person's full-retirement-age and restarting after some years have lapsed. After all, retirees will benefit from an increase of 8% for each year plus the ensuing inflation. So, should a retiree suspend and restart Social Security?

The answer is "Depends!"

If you are single, you will run out of savings sooner by about three years. But you will have significantly more Social Security income after your run out. So a single person with very little savings and who will be living on Social Security and a pension or immediate annuity most of retirement should consider this strategy—after doing an analysis and/or review with a professional planner. (Don't forget that some savings should be set aside for emergencies and to fund high cost items like a new car with cash instead of debt.) The lost savings during the suspension may well be the best retirement investment a single person with little saving could make.

If you are married, or thinking about getting married, and the ages of each spouse are compatible with this strategy, the answer also "depends."

This answer largely depends on the amount of Social Security a spouse might draw as a consequence. The Social Security Administration, SSA, will not allow a couple to both be on suspension and drawing a spousal benefit from each other, but if the spouse is over her/his full-retirement-age, the spouse can elect to either draw her/his own retirement benefit or a spousal benefit about equal to 50% of the other spouse's full-retirement-age benefit.

Then, if the spouse without the suspended payments takes a spousal payment instead of her/his own benefit, that spouse can convert to her/his own benefit at age 70. Then it's possible for both spouses to get maximum Social Security benefits at age 70. Although not pleasant to contemplate, then when either spouse dies, the survivor will get the larger of her/his own benefit or the age 70 benefit of the other spouse. The delayed benefits will be better than longevity annuities or insurance alternatives for many elderly that will fall short of savings to last a lifetime.

So the answer also depends on two imponderables: The first is when either of the spouses will die. The second is whether the Social Security rules will change in the interval and perhaps forbid this benefit. Or perhaps there will be means testing for Social Security that will influence the comparative results.

Not many retirement planning programs allow you to make this direct comparison considering death ages, but the Pre and Post Retirement Planner from www.analyzenow.com can do this. It not only allows a user to easily see the result from death age changes for either party, it has two computer programs running simultaneously and in parallel so that both results are displayed on the same charts.

It's not possible to give a general answer to the question about whether to suspend and restart Social Security. It depends on the amount of initial savings, the individual ages of the spouses, possible reduction in benefits, and the usual economic considerations of returns, taxes and inflation. Discuss the consequences of these variables with a professional. One can change all of these on the Pre and Post Retirement Planner to gain perspective. The program shows how the results would change if retirement started in one of the best and one of the worst years to retire in post-World War II history.

The future will not be like the past, but such an analysis will provide perspective that it's hard to get elsewhere. After all, you may be making a decision that could affect a quarter of your life span significantly.

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