

Stretching Social Security

Just because you're eligible to collect benefits doesn't mean you should – yet. Learn why waiting can pay off, and other ways to get more of those retirement dollars. Considering the relatively scanty payout, Social Security benefits have become like a bad joke in the retirement world. Still, in the face of a horrific recession, many retirees are jumping on the bandwagon and filing for benefits as soon as they blow out their 62 birthday candles. As a matter of fact, applications for retirement and disability benefits have skyrocketed by 23% over the last four years. This year, the Social Security Administration will have to dole out more money than it collects in payroll taxes.

Of course, the amount of money you receive from Social Security is based on a number of factors, including how much income you earned throughout your working years, the year you were born and the age at which you file for benefits. Many seniors assume that it's inevitable they'll receive a measly payout no matter what, so they go ahead and claim their benefits while the getting's good. But if you play your Social Security cards right, you could end up bringing home a heck of a lot more dough than if you simply go through the motions.

Here are five clever tips and tricks for stretching your Social Security dollar as far as possible:

1. Go ahead and procrastinate

Procrastination has earned a bad rap in our society, but when it comes to filing for Social Security, dragging your feet can be a good thing. As you probably know by now, you can claim Social Security any time between the ages of 62 and 70. The longer you wait, the fatter your monthly check will be. If you choose to claim Social Security early, your benefits will be reduced by a fraction of a percent for each month before your full retirement age. A "fraction" may not sound like much, but it can add up quickly if you file five or six years before your retirement age. For example, if you were born in 1955, your full retirement age is 66 years and two months, according to the Social Security Administration. If you file for Social Security at the age of 62, your retirement benefit will be reduced to only 74% of the full retirement age benefit. To add insult to injury, your spouse's benefit will be reduced by 30.83%. Ouch.

In other words, good things come to those who wait. If there's any way you can wait to file for Social Security, whether that means working longer or living off of other retirement funds, you should do it.

2. Wait even longer

It's hard enough to wait until your full retirement age to file for Social Security, so it would be even more challenging to put it off until your 70th birthday. But the reward may be well worth the wait: Those who wait until 70 to file for Social Security score a bonus amount. For each year you delay claiming from your full retirement age to the age of 70, your benefit amount will rise by an extra 7% to 8%. If your full retirement age is 66, you could earn up to 32% more if you put off filing until 70.

In some scenarios, you could even double your Social Security payments if you wait until your 70th birthday. Cha-ching!

3. Keep on trucking at your job

If you're like many, you may prefer to get a root canal than to spend another year working. However, there are countless financial advantages to working longer. Not only will you bring in more income and beef up your nest egg, but you'll also hike up your Social Security benefits.

That's because your Social Security payments are calculated by your 35 highest earning years. So if you continue bringing home that higher salary well into your 50s and 60s, you'll essentially nullify some of those low earning years when you were a rookie 20-something. This is precisely why financial experts encourage seniors to continue working for as long as possible.

4. Get married

Husbands and wives have a few extra tricks up their sleeves when it comes to maxing out their Social Security benefits. That's because married folks can choose to receive Social Security benefits based on their own income or they can opt to receive a payout worth 50% of their spouse's benefit. Talk about wedded bliss.

If you're married and really want to make the most of Social Security, some financial experts recommend that the lower earner file for benefits at the age of 62. Then the main breadwinner can wait until the age of 70 (or as late as possible) to earn the higher benefit amount. That means you can start that income stream today but earn even more tomorrow.

5. Correct your early filing slip-up

Let's say you filed for Social Security at the age of 62, and you're kicking yourself for not waiting longer for the higher benefit. No biggie. Believe it or not, you actually have a second chance. You can simply file Social Security Form 521, the "request for withdrawal of application."

By submitting this form, you're essentially coming out of retirement. Of course, there's a catch. You'll have to pay back all the Social Security benefits you've received thus far.

If you can afford to do that, it's well worth the effort and expense. Once you file the form, you can wait and reapply for Social Security when you're older to receive the higher benefit. Voila. It's like that early filing blunder never happened.

Conclusion

While these five clever tricks can definitely help you boost your Social Security benefits, it's important to evaluate your unique situation before you put one of these strategies in motion. Discuss your options with a financial professional, who can help you create a winning Social Security game plan. (Courtesy MSN Money & Investopedia) And when you're ready, Texas Telcom Credit Union can assist you with setting up your Social Security direct deposit.