



# The Rennie Quarterly Return

Rennie & Associates  
Financial/Investment Planning  
Volume 5, Issue 2  
September 30, 2012

## Social Security

When President Franklin Roosevelt signed the Social Security Act into law on August 14, 1935, he introduced the nation's first social insurance program. Payment of monthly retirement benefits began in January 1940.

Initially, Social Security payments began at age 65 and were fixed for life. In 1950, Cost of Living Allowances (COLAs) were introduced. In 1962, the eligibility age was decreased to 62. Amendments by the Greenspan Commission in 1983 changed benefit taxation and retirement ages, thus ushering in the Social Security (SS) program we know today.

Putting aside political posturing over the years that served to draft an obituary, SS survives today and should be considered in prudent retirement planning.

### Choices

Provided one pays into the SS program for sufficient time, and survives to age 61¾, an application to receive benefits may be made. The dilemma begins.

Even at a glance, one's SS Administration statement clearly displays the benefit associated with delaying one's application.

Delaying the benefit from age 62 until Full Retirement Age (FRA), age 65-67 depending on your date of birth, increases the benefit by roughly 33%. Waiting until age 70 yields 76% higher monthly benefits. No additional benefit accrues beyond age 70.

Deciding when to apply is a personal decision based on many factors. For example, if

a financial need exists immediately, a delay decision is moot. Working until FRA may make delaying attractive due to withholding of SS benefits above certain income levels. Longevity expectations are also a key decision factor. There are others.

### What's the Edge?

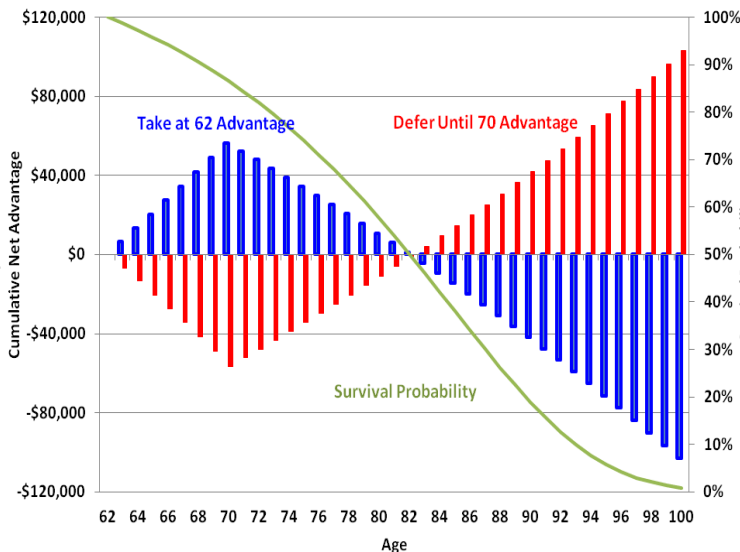
Subjective factors aside, is there an objective, or statistical financial reward to delaying?

Taking an average male age 62

period life table. What are the odds of surviving to breakeven? Roughly 50/50. Beyond breakeven, the advantage from deferring grows substantially, but is offset by the rapidly falling odds of survival.

When all the numbers are crunched, there is not a meaningful edge, or advantage, to either choice. This should not be a surprise. The SSA carefully calculates the higher benefits associated with deferring to a level of statistical and financial indifference.

Social Security - Take at 62 vs. Defer Until 70



who can receive \$750 today, or \$1,320 at age 70, the graph above shows the relative advantage of the two choices over time.

As shown, applying at age 62 provides an advantage in early years. However, at age 81 the two choices "breakeven." Over age 81, the defer case is advantageous, by ever-growing amounts.

The green line in the graph represents the probability the male survives to each successive age, based on the SSA's

### Choices "2"

The above is a simple example. Spousal benefits, filing suspended applications, and other more complicated permutations exist. None introduces a statistical advantage. However, those fortunate to be in good health and with sizable portfolios may find the potential reward associated with deferral very attractive.

In summary, whether to apply or defer is a subjective decision based on personal factors that should be thoroughly dis-

cussed with family and your Financial Planner.

Gary B. Rennie, CFP®, AWMA®  
Chief Executive Officer  
Phone: (949) 679-4775  
Fax: (949) 679-4775  
Cell: (949) 769-1343  
Email: [gbrennie@cox.net](mailto:gbrennie@cox.net)

E. P. Rennie, CFP®, CFA®  
President  
Phone: (949) 650-8622  
Fax: (949) 650-6683  
Email: [ecrennie@att.net](mailto:ecrennie@att.net)

1608 Galaxy Drive  
Newport Beach, CA 92660

[www.rennieandassociatesfp.com](http://www.rennieandassociatesfp.com)

Our Two



"Social Security is a government program with a constituency made up of the old, the near old and those who hope or fear to grow old. After 215 years of trying, we have finally discovered a special interest that includes 100 percent of the population. Now we can vote ourselves rich."

P.J. O'Rourke



### Quarterly Trivia:

What is the lowest Social Security number ever issued?

001-01-01-0001 was issued to Grace D. Owen in 1936.