

When Should You File for Social Security?

For the answer, you might need to ask a different question

By Mike Lynch

In 1973, the only mobile phone that existed was a radiophone for your car. Fearing rival AT&T was going to take over the market and end their mobile business, Motorola tasked engineer Marty Cooper with developing a revolutionary product.

Before jumping into the project, Marty stepped back and asked, "Why is it that when we want to call and talk to a person, we have to call a place?" The *portable* mobile phone, which 97% of Americans now use, was the solution—all because Marty asked the right question.

Similarly, knowing when to claim Social Security may be a matter of asking the right question. *When* to take Social Security is only part of the bigger picture. Knowing *what* income you'll need in the future, and how much, can help you find a better solution.

What We'll Cover:

1. How much income will you need in retirement?
2. Where will your income come from?
3. How to get a Social Security benefits estimate

First, How Much Income Will You Need in Retirement?

Before you decide when to start taking Social Security, you should know how much monthly income you'll need in retirement. If you haven't figured out that amount yet, you're not alone. Only 46% of workers have attempted to calculate how much money they'll need in retirement.¹ An old rule of thumb is that 70% of your pre-retirement income is enough to live comfortably. One of the problems with this commonly accepted guideline is that it's a relative measure. No standard percentage works for every retired individual or couple.

Start by estimating your current monthly expenses. We've provided a sample budget on the next page and included national averages to use as a reference.









Your Expenses May Shift in Retirement

Due to certain factors, your income needs in retirement may be higher or lower than pre-retirement. One important factor is healthcare. Based on increasing longevity and the resulting healthcare costs, a 65-year-old couple that retired in 2022 will spend an average \$315,000 in health-care and medical expenses during their retirement.²

As you fill in your expenses, consider how they could change in retirement, e.g., will you reduce housing costs by downsizing or relocating to a less expensive location? Will you spend more on travel and entertainment?

Estimate How Much Retirement Income You'll Need

Examples of monthly expenses to include in your calculation

Category	National Average ³	Your Average
 Food:	\$691	\$ _____
 Housing:	\$1,885	\$ _____
 Apparel and services:	\$146	\$ _____
 Transportation:	\$913	\$ _____
 Healthcare:	\$454	\$ _____
 Entertainment:	\$297	\$ _____
Total:	\$4,386 (\$52,632 / yr.)	\$ _____

Second, Where Will Your Income Come From?

The next step is identifying all your retirement income sources, excluding Social Security. Those sources may include:

- Distributions from IRAs, 401(k)s, 403(b)s, and other tax-deferred retirement savings accounts
- Payouts from a company-funded pension plan
- Withdrawals from other savings and investments
- Employment income

Figuring out how much income you can take from your investments can be complicated. Work with your financial professional to estimate potential retirement income from these sources and any others you may have. In some cases drawing income can have tax implications, so consider consulting a tax professional as well.

Then, subtract the estimated income you'll need (the total on page 2) from the estimated income you're expecting. If the amount is positive, you may have more flexibility regarding when you file for Social Security. If there's a shortfall, your Social Security benefit could help make up the difference. Next, we'll explain how to get a Social Security monthly benefits estimate to see if it might help close the gap.

Third, How to Get a Social Security Benefits Estimate

Your benefit amount will depend on your average earnings during your working years as well as the age at which you claim benefits. While the most common age to begin taking Social Security is 62, it's considered early filing and will result in a permanently reduced benefit. Filing at your full retirement age (also referred to as "Normal Retirement Age" by the Social Security Administration (SSA)) provides a higher benefit. Delaying filing past your full retirement age allows your benefit to increase—by 8% annually—until you reach age 70.

You can get your personalized monthly retirement benefit estimates by viewing your Social Security statement online at ssa.gov. To access your statement, you need to have a "my Social Security" account. If you don't have an account, you can easily create one.

Evaluate the Numbers

Meet with your financial professional to review all the numbers. Determining how much income you'll need to cover your expenses during retirement can help you decide when you should file for Social Security benefits. If there's no shortfall between your total monthly expenses and income, you could wait until full retirement age to file for benefits, or delay filing and let your benefit grow. If there *is* a shortfall between your monthly expenses and income, your Social Security benefit could help make up the difference. We strongly recommend working with your financial professional to do a comprehensive assessment before making your decision.

"What if I File Early and My Situation Changes? Will I Be Stuck With a Lower Benefit?"

Suppose you filed for Social Security at age 62, accepting a reduced benefit. But you realized you didn't need the income so soon after all, and wished you'd waited and let your benefit grow. If you're within the first 12 months of collecting benefits, you can withdraw your original application, pay back any previous benefits received plus interest, and reapply when you're older to potentially collect a larger benefit. However, the SSA allows this option only once.

If You're Wondering When You Should File for Social Security, Remember These Three Things

First, calculate your current expenses to use as a guideline. Second, figure out where your retirement income will come from—and how much. Will your expenses be covered, or is there a shortfall? Third, if there is a shortfall, look at your estimated benefits on your Social Security statement to see when filing for your benefits could help close the gap. Work with your financial professional and even a tax professional to help you make your decision based on your overall financial needs.

“The right question is already half the solution to a problem.”

–Carl Jung

It’s common for people to ask when they should begin taking Social Security, but it may be the wrong question. It doesn’t take important considerations into account. Stepping back and asking the right question, like engineer Marty Cooper did when he invented the portable mobile phone, can help you arrive at a much better solution.

Next Steps

1. Compare your estimated monthly expenses and projected retirement income
2. Access your Social Security statement to get your monthly retirement benefit estimates
3. Meet with your financial professional to discuss when to file for Social Security benefits based on your situation



Mike Lynch is a managing director of the Hartford Funds Applied Insights Team. The team translates the expertise of the psychologists, physiologists, professors, and practice-management experts we partner with into practical, actionable ideas and tools to make sense of a rapidly evolving financial and demographic landscape.

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¹ 2022 RCS Fact Sheet #3, Preparing For Retirement In America, ebri.org, retrieved 1/23

² How to plan for rising health care costs, fidelity.com 8/22

³ Consumer Expenditures—2021, bls.gov, 9/22. Represents expenditures of families, single persons living alone or sharing a household with others but who are financially independent, or two or more persons living together who share major expenses.

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