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The month of May is one that brings an abundance of flowers as we begin to near the start of summer. Planning around what activities we want to complete and places to visit is front of mind. Summer comprises 92 days of the year which Michiganders cherish and incorporate into their yearly agenda. Though the season is limited, it has the ability to provide lasting benefits and memories that complement the rest of the year.

A similar type of limited but powerful benefit is found in our financial life by way of Social Security. Much like summer, immense planning goes into deciding how to best utilize ones benefit. From when to start collecting to structuring ones investment portfolio to best compliment their benefit, much thought should be given. There are often a few misconceptions that are present in this area that are worth discussing.

- **"It is in my best interest to claim at 62"** – While I can't speak to every situation, I will say this is typically not in your best interest. Why? You can expect a reduction of around 30% in monthly benefits by claiming at 62 rather than your full retirement age (FRA). A guaranteed increase of around 5% is achieved for each year you wait past 62 until FRA which jumps to around 8% after FRA to age 70.
- **"I will lose benefits permanently if I keep working"** – Social Security does have an earnings limit but it is not permanent and does not apply to everyone. This rule applies to beneficiaries who claim benefits prior to FRA and earn more than a certain amount of income. Once you reach FRA the earnings limit goes away and your benefit is adjusted to recoup the money over time.
- **"My ex-spouse will be able to reduce my benefit"** – This is not the case. An ex-spouse may be able to claim up to 50% of your FRA benefit though this will not hinder what you are to receive.
- **"My Social Security is never taxable"** – For many recipients this is not the case. Depending on your tax filing status and income, you could have to pay income tax on 50 or 85% of your benefit amount.
- **"Social Security is going broke"** – While there is projected to be a shortfall in the Social Security trust fund come 2035, continued tax inflows would be sufficient to pay 79% of benefits, declining to 73% in 2094. This is not the best news though it's tough to imagine there will not be changes in way of taxes covering the program over the next 14 years.

Social Security has and will continue to play a vital role in American lives. It's a tool that should be accounted for though it's important to understand how it fits into your financial plan and how to best maximize your benefit.

—Rob Swarts, AWMA®