

## Taxation Tidbit

# Increased Social Security Retirement Age

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Do you know that if you were born after the year 1937 that you will not be entitled to your full Social Security benefit unless you retire **sometime** after your 65<sup>th</sup> birthday? The **sometime** is determined by the year of your birth. Actually, this is not “late breaking” news, but many people are unaware of the changes being implemented in the Social Security full-benefit age. In fact, Congress mandated this change back in 1983 with implementation to begin in 2003. Note: while the age for full retirement benefit is being increased, the age for Medicare benefits is not being changed from age 65.

As revealed in the following table, the full-benefit age is being gradually increased to age 67.

Year of Birth	Age to Collect Full-Benefit	Reduction % for Age 62
1938	65 years, 2 months	20.83
1939	65 years, 4 months	21.67
1940	65 years, 6 months	22.50
1941	65 years, 8 months	23.33
1942	65 years, 10 months	24.17
1943 through 1954	66 years	25.00
1955	66 years, 2 months	25.84
1956	66 years, 4 months	26.66
1957	66 years, 6 months	27.50
1958	66 years, 8 months	28.33
1959	66 years, 10 months	29.17
1960 and later	67 years	30.00

You will continue to have the option of electing reduced benefits as early as age 62. However, since there will be more months between the full-benefits age and 62 – the benefits reduction will be greater. It is important to note this benefits reduction factor is FOR LIFE, however, you will be receiving an increased number of payments during your LIFE. So if you can tell an economist when you will die – they can calculate whether you would be better off financially to take the reduced-benefit at age 62 or take the full-benefit payment at full-retirement age.

Additionally, if your full-benefit payment is not as great as you need for a comfortable retirement, you can elect to post-pone retirement past your full-retirement age. In fact, the full-benefit payment is permanently increased by 8% per year for the years you delay retiring up to age 70. For example, for someone born in 1947 waits until age 70 to start collecting benefits – they will receive payments that are 32% greater than if they had started at their full-retirement age.

In summary, to put this information into monetary terms – say your earnings history would indicate you could collect \$1,200 of Social Security a month at your full-retirement age of 66. If

you elect to begin collecting your Social Security at age 62, your payments will only be \$900 per month. On the other hand, if you wait until age 70 to begin collecting Social Security your monthly payments would be \$1,584.