

What Is Your Full Retirement Age?

By Tammy Flanagan

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Ask someone what their full retirement age is and you are likely to get a variety of answers. The response will depend on whether you are referring to the Civil Service Retirement System or the Federal Employees Retirement System, or maybe it is the age when people plan to begin withdrawing from their retirement investments. There is also Social Security's full-benefit retirement age.

What does this magic age really have to do with the age you plan to stop working?

In 1979, 63 percent of [CSRS retirees](#) had claimed their retirement benefit before age 62. In fiscal 2011, 30 percent of workers who took normal retirement under CSRS were 62 or older, which means 70 percent retired before age 62, according to a recent [Congressional Research Service report](#) by income security analyst Katelin P. Isaacs. Apparently not much has changed since the 1970s. The average age of workers covered by CSRS who retired in fiscal 2010 under normal, voluntary retirements was 60.7 years. The average age of FERS participants at retirement was 63.5 years, which the report attributed to a relatively few employees hired before 1984 electing to switch to FERS. Individuals retiring under FERS have tended to be those who joined or rejoined the federal workforce relatively late in their careers.

During the pre-FERS era, employees didn't need to worry about managing retirement investment accounts or figuring out whether to take Social Security benefits earlier or later. They didn't pay Social Security taxes prior to 1983 during their federal careers, and there was no employer-sponsored savings plan like the Thrift Savings Plan.

When asked what is the full retirement age, I tell people they should retire when they are financially prepared and mentally ready for this transition in their life. This could be as soon as you are old enough and have enough service to meet the minimum eligibility requirements, or this could be much later. Unfortunately, the answer is hard to come by since there are so many factors that will determine the best time to go. In many cases, attending a preretirement seminar is the first time employees have given this decision any serious thought. This is why I love teaching mid-career planning classes, so employees can begin to actually make a plan and set their first retirement goals much earlier. This is a lot different than choosing the best date to retire, which is something employees do *after* they determine they are financially ready and mentally prepared for retirement. This date is usually set when employees are less than a year from the date of separation.

For the majority of federal employees, Social Security is part of the plan. This benefit is available at age 62, but at a reduced amount. The reduction is 20 percent to 30 percent lower than the full amount payable at the full retirement age for Social Security -- between ages 65 and 67, depending on year of birth, and for anyone born after 1959, the full retirement age is now 67. In addition, there may be delayed retirement credits included to provide an incentive to postpone receiving your benefit until as late as age 70. These credits can increase the full benefit amount by as much as 32 percent. For example, if the full benefit is \$2,000 per month at the full retirement age of 66, your benefit would be reduced to \$1,500 per month at 62 and increased to \$2,640 per month if you wait until age 70 to claim the benefit. That's a difference of \$1,140 per month between applying at age 62 or waiting until age 70.

Reasons to Not Wait

With such a large increase for waiting to claim Social Security retirement benefits, why doesn't everyone wait until age 70? Here are some reasons why:

It's likely you would not have received any benefit prior to age 70, so you would need to live long enough while collecting the higher benefit amount to make it worth the wait. The exception is someone who was collecting a spousal or survivor's benefit prior to receiving their own earned Social Security retirement benefit.

For many people, a big part of their retirement income is the Social Security benefit. If you don't apply for Social Security at age 62 and you are no longer working, other retirement benefits may not be enough to cover your expenses.

You would not receive any Social Security benefit if you were to die before age 70 (this is also true if you die before age 62).

Some people don't want to work part time to replace the income they would receive by delaying their Social Security retirement. The average Social Security retirement benefit this year is \$1,275 per month, and after the cost-of-living adjustment is applied in January 2014, the average will rise to \$1,294 per month. You would need to work 75 hours a month earning \$20 an hour to earn \$1,500 per month. Full-time federal employees clock more than 173 hours a month on the job. Phased retirement, anyone? (OPM is still working on the rules for implementing a federal [phased retirement program](#).)

Some are able to live on their other retirement income and invest their Social Security benefit. If you apply for Social Security retirement at age 62 and invest your benefit of \$1,500 a month, for instance, you could put away \$1,250 per month after tax for eight years, which equals \$120,000. If you wait until age 70 to collect \$2,640 per month, how long would you have to live to make up the difference? After taxes, that's an increase of about \$950 a month, but it would take 10 and a half years to break even. If you include investment income on the \$120,000, then the break-even age is much younger, depending on how much you would earn by putting the \$1,250 per month in a diversified investment -- not the bank -- for those eight years. For those who are good investors and have enough income from CSRS, FERS, TSP or other retirement benefits, this might be something to consider.

Reasons to Wait

There are, however, some good reasons to delay your application for Social Security retirement to at least the full retirement age of 65 to 67, depending on your year of birth, or even up to age 70. Consider the following:

If you are still working at age 62 -- not necessarily full time -- there is an earnings limit of \$15,120 that will cause your Social Security entitlement to be reduced by \$1 for every \$2 you earn above this limit. In 2014, the limit will be \$15,480.

If you are past your full retirement age, you may begin receiving Social Security benefits even though you are still working, since the earnings limit only applies before reaching your full retirement age.

If you are the full retirement age, you may decide to file a "restricted" application to receive only spousal benefits -- 50 percent of your spouse's earned benefit -- and delay applying for your own benefit to accumulate the delayed retirement credits that will permanently increase your own benefit.

If you are the full retirement age, you could file for your benefit but suspend receiving so your spouse can begin receiving spousal benefits on your work record. By suspending the receipt of your benefit, you may accumulate delayed credits up to age 70.

The delayed credits added to your benefit would also increase the value of a potential survivor's benefit. Consider your income while there are two of you, and then consider how that would change if there were only one of you.

The best reason to consider delaying your Social Security application is that you could live long enough to make it worth the wait.

Someone who begins receiving a benefit of \$1,500 a month at age 62 and then dies at age 92 will have received \$540,000. On the other hand, someone who waits until age 70 to receive \$2,640 a month and lives to age 92 would have received \$696,960. That is a difference of \$156,960. Of course, if the person had only lived to age 72, the results would have favored applying at age 62, unless the individual had a much younger spouse.

A few tax notes: A \$1,500 per month Social Security benefit might be closer to \$1,250 per month after federal income taxes. The only

people who receive Social Security retirement tax-free are those who have Social Security as their only income. You might have to pay federal income tax on 85 percent of your benefit. Most states won't tax Social Security retirement. To learn more about taxes on your Social Security retirement check [click here](#).

The biggest obstacle in knowing the best age to claim Social Security retirement is that we don't know our "expiration date." It might be worth delaying your Social Security retirement application beyond age 62 if most of the following is true:

You are in good health.

Your family history is on your side when it comes to a long life expectancy.

You have a spouse who is younger than you.

You have a spouse who is financially dependent on your Social Security benefit, especially if you happen to die first.

You are still working.

You have other resources besides Social Security retirement and you can meet your living expenses without the added Social Security income.

You tend to be more conservative when it comes to investing your money.

The topic of claiming your Social Security retirement will be the focus of an upcoming webinar I will be presenting through the National Institute of Transition Planning on Dec. 12 at 2 pm. Registration for this free webinar is open and the live audience is limited to the first 100 registrants (the archived version will be available after the live broadcast). For more information and to sign up, [click here](#).

The National Institute of Transition Planning Inc., which produces the "For Your Benefit" program on [Federal News Radio](#) on Mondays at 10 a.m. ET, will feature several shows on the FEHBP open season. [Here's more information](#).

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<http://www.govexec.com/pay-benefits/retirement-planning/2013/11/what-your-full-retirement-age/73850/>