



DON'T OVERTHINK SOCIAL SECURITY STARTING DATE QUESTIONS - SOCIAL SECURITY

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I frequently get emails from readers who turn a little molehill of an issue into a big mountain of a problem, and it has to do with the starting date for their Social Security benefits. The Social Security retirement application asks a question that goes something like this: "Which month do you want your benefits to start?" Way too many folks overthink the question, and it is especially vexing for those who absolutely insist that their benefits start at their full retirement age -- not a month before and not a month later. (Near the end of this column, I will point out why people shouldn't get so hung up about this FRA start date business.)

For now, here is an example. Frank wants to wait until his full retirement age, 66 and 4 months, to start receiving his Social Security benefits. He turns FRA in December. So, when the application asks, "When do you want your benefits to start?" Frank should answer, "December." It really is that simple.

But then Frank starts thinking too much; here is what I mean by that. He knows that Social Security checks always come one month behind. In other words, the Social Security check for December is actually sent out in January. Now Frank worries that if he indicates he wants his benefits to start in December, SSA will interpret that to mean he wants his first check to come in December, meaning it would be the payment for November. And if his benefits were to start in November, that would give him a one-month reduction in his full retirement age benefit rate.

Then Frank thinks even harder and figures that he should answer the question by saying he wants his benefits to start in January, knowing that would be the December Social Security payment. But if Frank does indicate January as his starting month, he won't get his first benefit payment until February.

As I have explained a hundred times in this column, don't worry about Social Security check payment dates. The application question is not asking when you want your first Social Security check to physically show up in your bank account. Instead, it is asking which month you want to be your first month of eligibility for Social Security benefits.

The folks at the Social Security Administration know this has been a problem because they have been getting lots of calls from panicked retirement applicants who misinterpreted the question and answered it incorrectly, or at least what they perceive to be incorrectly (more about that in a minute). So, they are calling to see if they can change their answer -- thus creating lots of extra work for SSA's

representatives and computer systems.

According to quite a few readers who have reported this to me, SSA has changed the question asked on the online retirement form, at least for folks approaching their full retirement age. It now says this: "Do you want your benefits to start at the earliest date without a permanent reduction?"



This is a bit of a mouthful, and more than a few readers told me it took them a reading or two of that line to decipher it. But if you are approaching your full retirement age and that is when you want your benefits to start, by simply answering "Yes," you can be assured that your benefits will start effective with the month you reach FRA -- not a month before, and not a month after.

So now let me get back to this issue of working yourself into a tizzy about starting your benefits at exactly the right month. To explain where I am coming from, let's go back to Frank's case. In the following examples, we will assume his FRA benefit amount is \$2,500 per month. I said he turns 66 and 4 months in December, and he wants his benefits to start then. So, he should indicate December as his starting month. Or if he is filling out the online application with the new question -- "Do you want your benefits to start at the earliest date without a permanent reduction?" -- he would answer, "Yes."

Now, let's say he didn't do that. Suppose he said he wanted his benefits to begin in November, because he figured that's the check that comes in December. That essentially means his benefit start date would be age 66 and 3 months, one month before his FRA.

Retirement benefits are reduced about one-half of 1% for each month they are taken before FRA. So instead of getting \$2,500 per month, Frank's benefit rate would be about \$2,488 -- meaning he loses \$12 per month, forever. That's the bad news. But on the upside, by choosing November as his starting month, Frank did get one extra check for \$2,488. It's going to take Frank about 207 months before he comes out on the short end of the Social Security stick. In other words, Frank will be 83 years old before his supposed "mistake" catches up to him.

A panicky Frank might be inclined to call SSA to change his starting date, which would entail withdrawing that first claim, repaying the one month's reduced retirement benefit he received, and refiling a new claim. But I'd tell Frank not to worry about it. Take the extra \$2,488 check and have a party!

Now let's say Frank went the other way around -- meaning that he picked January as his starting month thinking that the December check comes in January. But by choosing January, he's not going to get his first Social Security benefit payment until February. As in the prior example, Frank panics and thinks he better contact the SSA to correct his perceived mistake. But once again, I'd tell Frank to relax. Sure, he's going to miss out on one Social Security check (the December benefit that would have been paid in January). But the upside is that Frank's ongoing benefits will include a two-thirds of 1% "delayed retirement credit" increase for starting his benefits once month after his full retirement age. If Frank lives long enough, at some point he'll actually come out ahead with what he thinks was a mistaken Social Security decision.

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