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BY KELLY GREENE

When to Take Social Security

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You really can hit the "pause" button on your Social Security retirement benefits—and if you do, it will increase their value later.

Weekend Investor mentioned the "file and suspend" strategy in a recent cover story about new services that financial planners are starting to provide for their clients, including Social Security counseling. (For more, see, "Your Adviser Does What For You?!" from July 14.)

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Growing numbers of financial planners are helping clients figure out the most advantageous time to begin collecting Social Security. There are many considerations, including the tax impact, whether one spouse already has started collecting, income from ongoing work and income from tax-deferred accounts such as a 401(k) or an individual retirement account.

In general, if you expect much of your income to come from tax-deferred savings, you might be better off using those assets first and delaying your Social Security benefits until later, according to research by James Mahaney, a retirement specialist at Prudential Financial . (The report, "Rethinking Social Security Claiming in a 401(k) World," is at pensionresearchcouncil.org. Click on "Working Papers" and 2007.)

Still, sorting through the choices can leave retirees feeling overwhelmed. Financial advisers and websites are stepping in to help.

Matthew Curfman, a certified financial planner in Jackson, Mich., this year started using a program, Social Security Timing (socialsecuritytiming.com), to help married couples crunch hundreds of timing combinations for taking retirement benefits. The program is geared mainly for financial advisers, because creator Joe Elsasser, a certified financial planner in Omaha, Neb., says there are "taxes and too many other things going on in people's lives" to look at Social Security in a vacuum.

Other low-cost or free tools online include Social Security Solutions (socialsecuritysolutions.com), Social Security Choices (socialsecuritychoices.com), analyzenow.com (click on "Computer Programs" to get to the Social Security planner), and AARP's calculator (aarp.org/work/social-security).

Most programs calculate the total benefit amount across your life expectancy, or, alternatively, the "break-even" age after which you would wind up getting more benefits by delaying your payments until Social Security's "full-retirement age" or age 70. Full retirement age is when you get 100% of your benefit. It is 66, for example, for people born from 1943 through 1954. You can look it up at ssa.gov/pubs/ageincrease.htm.

At least one program, MaximizeMySocialSecurity (maximizemysocialsecurity.com), focuses on how to get the highest payments up to age 100, rather than until life expectancy.

One strategy that married couples increasingly are stumbling upon is file and suspend. Mr. Curfman's clients, Bruce and Sharon Huntzinger, are a textbook example: Mr. Huntzinger, a 65-year-old retired electrical engineer, started collecting Social Security three years ago. His wife, Sharon, also 65 and a retired teacher, hasn't started drawing yet.

They can increase their returns, if they live to their 90s like their parents, by having her file for a spousal benefit at age 66, and then file for her own full benefit at age 70. Meanwhile, Mr. Huntzinger will suspend his benefit at age 66 and restart it at 70.

After reading about their experience in last week's article, one reader questioned whether it is possible to attempt such a do-over after the first year of collecting benefits has passed; others asked for more details about it.

The short answer: Yes, it is possible. You can choose to suspend your benefits once you reach your full retirement age and still claim what are called delayed retirement credits, meaning you can increase your payments beyond your full retirement benefit, up to age 70. For more information on how to proceed, go to ssa.gov/retire2/suspend.htm.

This strategy is different from withdrawing a Social Security claim. If you change your mind within 12 months of starting your benefits, you might be able to withdraw your application. You have to repay all the benefits you received for Social Security to approve your withdrawal request. After you have been collecting Social Security for 12 months, withdrawing is no longer an option—but you can suspend payments once you reach full retirement age, and up until age 70.

Suspending your benefits comes at no cost, other than having to make do without a monthly check you probably got used to receiving. That is why it might make sense for married couples to have the other spouse file for a spousal benefit at the same time.

Delaying benefits until later can boost them significantly—by 8% for each full year you wait. If you were born between 1943 and 1954 and you delay your benefit until age 70, your payments could be 32% greater than what you would have gotten at age 66.

A higher-earning husband who delays benefits until age 70 could also help his wife, if he dies first, by increasing the value of her survivor benefit down the road.

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