
# Using Social Security to Enhance Your Family Legacy

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For the vast majority of people, maximizing their Social Security is a great way to help ensure a more comfortable retirement. And many of those same people inadvertently sabotage their own future by claiming too early.

Age 62 is still the most popular age to start collecting your Social Security. That would be appropriate in certain circumstances, say someone who is single, no longer working, and not in good health. But the biggest concern for so many people entering retirement is making sure they don't outlive their money. And one great way to help with that is simply waiting as long as possible to collect.

Someone born after 1959 can collect their full benefit at age 67. If they start at age 62, they are starting five years early and getting only 70 cents on a dollar. But if they wait until age 70, that 70 cents becomes $1.24. Sure, starting early will ensure that you collect for a longer period of time, but what happens later on? If you're worried about running out of money in your 80s, the best thing you can do is get as much as you can out of each Social Security check.

And this doesn't even take into account survivor benefits. If you have the higher benefit and both you and your spouse live past Full Retirement Age, then your benefit will become your spouse's benefit when you die. And if you start early and your spouse is younger, they could be stuck with a lower benefit for a very long time.

We've talked about this many times. Sometimes your decision on Social Security will have an impact on your spouse for years to come. This is a very good reason to wait. But it doesn't apply to everyone. There are times when it makes more sense to start earlier. And it's not just people with a short life expectancy or people who need the money to pay their bills. Sometimes it makes sense to collect earlier when you don't need the money to live.

For people with a certain level of financial independence, Social Security planning has one glaring shortcoming. The best planning in the world can maximize the benefits only for you and your spouse. It can't do much to help your children. And it can't do much to create a family legacy.

But for people at a certain income and asset level, a little bit of creative planning can create more of a family legacy. All it takes is a little love and a little bit of life insurance. Let's run through an example.

Assume a person was born in 1960 and has worked his entire life. He has saved enough to where he doesn't need Social Security to fund his basic everyday needs. That level of independence creates opportunities.

Let's say his "Primary Insurance Amount" (PIA) as listed in his Social Security statement is $3,000. This means that at age 67, he would receive $3,000 per month. He could collect as early as age 62 and get $2,100 per month, or as late as age 70 and collect $3,720 *(Note that if he were to collect early, he would likely have to stop working due to the "excess earnings test." This is a government-imposed limitation that discourages people from working full time and collecting early. It goes away once you reach Full Retirement Age.)*

If he really has sufficient retirement income, maybe he could take that Social Security income and use it to buy a life insurance policy. This could create a new family legacy. How would that work?

Take a look at the following tables. Assuming standard underwriting and using SML's Security Designer WL4U2℠ LP121 Whole Life Insurance policy, at age 67 if they took 100 percent of the Social Security benefit of $3,000 per month and purchased a new policy, the resulting initial death benefit would be approximately $730,000.

Another option would be to collect at age 62 (again, assuming he stops working), and use those proceeds to purchase a life insurance policy. The available premium would be less, but he would be five years younger when he starts. Under these assumptions the initial death benefit would be approximately $672,000.

So they get less death benefit if they start earlier. In other words, the reduction in the available premium has more of an impact than starting five years earlier. And yet, if he can afford it, it might still make sense to start earlier with the lower amount. Who knows where he will be in five years? A potential future health issue could eliminate the possibility of buying insurance at all, or might make the rate that much higher.

What about age 70? If they took $3,720 per month and purchased a life insurance policy, the death benefit would be approximately $763,000. That's a higher death benefit, but it assumes that he will have the same health status that he had at age 67. Or 62. For some people this will be worth the wait. For others it won't. Waiting a few years has the potential to generate a slightly bigger family legacy. But it risks the possibility of not creating that extra family legacy at all.

**Age 67**
**Security Mutual Life**
**Security Designer WL4U2 LP121**

| Year | Total Net Premiums | Guaranteed Surrender Value | Net Death Benefit |
|---|---|---|---|
| 1 | $36,000 | $0 | $730,515 |
| 2 | 72,001 | 4,646 | 730,515 |
| 3 | 108,001 | 29,513 | 730,515 |
| 4 | 144,001 | 54,723 | 730,515 |
| 5 | 180,002 | 80,189 | 730,515 |

**Age 62**
**Security Mutual Life**
**Security Designer WL4U2 LP121**

| Year | Total Net Premiums | Guaranteed Surrender Value | Net Death Benefit |
|---|---|---|---|
| 1 | $25,200 | $0 | $672,302 |
| 2 | 50,401 | 3,200 | 672,302 |
| 3 | 75,601 | 21,225 | 672,302 |
| 4 | 100,802 | 39,578 | 672,302 |
| 5 | 126,002 | 58,275 | 672,302 |

**Age 70**
**Security Mutual Life**
**Security Designer WL4U2 LP121**

| Year | Total Net Premiums | Guaranteed Surrender Value | Net Death Benefit |
|---|---|---|---|
| 1 | $44,640 | $0 | $763,596 |
| 2 | 89,281 | 12,706 | 763,596 |
| 3 | 133,921 | 42,296 | 763,596 |
| 4 | 178,562 | 71,946 | 763,596 |
| 5 | 223,202 | 101,589 | 763,596 |

In spite of all this, it is still true that for most people it pays to wait for their Social Security. Most people will need that income to survive, and they have to do everything they can to maximize those payments.

But that doesn't apply to everyone. In this case, even if a person is currently in good health with a long life expectancy, it might make sense to collect earlier. If they can afford to do it, they could generate a significant family legacy by starting early. But they need life insurance to "leverage up" the benefit.

***Note that the prior example has been simplified. One thing we don't consider is income taxes. Anywhere up to 85 percent of your Social Security income may be taxable, depending on your other income. For the sake of simplicity, we have assumed that the marginal income taxes are coming from some other source.***

Social Security **Evaluator**

***To learn about your Social Security options, contact your Security Mutual Life insurance agent. Using the Security Mutual Life Social Security Evaluator, your agent can provide you with an easy-to-understand illustration showing your various options, and then help you evaluate those options based on your personal financial needs and goals.***

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