

# Making Social Security Part of Your Wealth Plan

**While Social Security provides a steady income source in retirement, it is a taxable benefit for many, so high income earners should be strategic about how it fits into their overall wealth management plan.**

## **Review Income Sources Prior to Receiving Social Security**

You'll want to work with a wealth advisor to develop a strategy for how you draw income in retirement, including taking withdrawals from a combination of tax-deferred, tax-free and taxable accounts.

For example, prior to receiving Social Security as a component of your income, you may withdraw money from your 401(k), IRA and Roth IRA. You can draw income from any of these accounts after age 59½ without triggering an early withdrawal penalty. You will pay tax on these distributions, except for the Roth IRA—you pay tax on that money upfront, not when you withdraw it.

## **How to Decide When You Take Social Security**

There's no one right answer as to when you should begin receiving your Social Security benefit—it's a very individual decision. A lot of factors will influence that decision, including your health, ability or desire to continue working, the age and health of your spouse, the type of assets you will use to draw income from, the tax impact, as well as your overall financial and legacy goals.

If you choose to wait until after your full retirement age to receive Social Security (age 66 or 67 for most people currently approaching retirement), then being strategic about how to use other sources of retirement income leading up to that age is important. You can receive the benefit as early as age 62 but if you take it early, you will receive a reduced benefit for life.

## **Social Security Strategy for Spouses**


The answer to the question, "Which spouse should take Social Security first?" is that it depends on the earnings history and age of each spouse. One of the factors used to calculate your benefit is your top 35 years of earnings. With that being said, in general, it's often beneficial for the higher earning spouse to delay taking the benefit as long as possible. If that spouse can wait until age 70, he or she will be at the maximum age and receive the maximum benefit. This means, during life, the couple will enjoy a larger benefit and, should the higher earning spouse pass away, the surviving spouse will receive a larger monthly benefit.

Of course the effectiveness of this strategy again depends on each spouse's health and whether they are close in age.

Also, if you were born on or before Jan. 1, 1954, it's possible for the higher earning spouse to collect half of the other spouse's benefit while he or she continues to work, and his or her benefit continues to grow 8% annually up to age 70.

If you both were born after 1954, there is no creative claiming strategy. Each will be paid the highest amount to which they are entitled at their age of claim, whether it's on their own earnings record or as a spouse. In other words, they don't get to choose which benefit they want to receive. There are a lot of complexities to calculating each spouse's benefit, so consult with your wealth team on your situation.

## When is Social Security Taxable?



The IRS calculates how much of your benefit is taxable based on your adjusted gross income (AGI) from other sources such as wages, required minimum distributions, interest and dividends. After that, half of your Social Security benefits are factored in to get to a combined taxable income amount. The IRS will apply a tax rate based on your combined income. As a high-income earner, up to 85% of your benefits could be taxable.

Look for your annual Social Security Benefit Statement from the IRS in January or, at anytime, you can review and download your statement to see your earnings history and projected monthly benefit prior to starting to take withdrawals. Simply set up an account at: [ssa.gov](https://ssa.gov).

Once you do start receiving benefits, your statement will detail your benefit amount for the previous year so that you can figure out what you owe on those benefits. You may choose to have federal taxes withheld from your payouts before you receive them. Certain states also tax Social Security, so check in with your tax professional about your personal tax situation.

## Consider Consulting With an Advisor

Similar to an annuity in that it pays a recurring monthly benefit, Social Security should be integrated into your overall wealth management plan. Most likely as you near retirement, your portfolio will shift toward more conservative investments, such as cash and bonds, so between your portfolio and Social Security, you want to ensure all of your retirement income sources cover your expenses.

At Mariner Wealth Advisors, we offer a 360° approach to wealth management, so our in-house teams, from wealth management to tax, will look at your whole income and expense picture and partner with you on a wealth plan for retirement flexible enough to change along with you.

For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

Sources:

"[Paying Taxes on Social Security Income](#)," Investopedia.

"[Social Security Claiming Strategies for Married Couples](#)," *Investment News*.

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