

3 Reasons Not to Retire Before 66

Dreaming of an early retirement? Here are three good reasons to reconsider.

Many working Americans jump at the chance to retire early. It's estimated that nearly half of the U.S. population stops working by age 63, and because you can file for Social Security beginning at age 62, some folks call it quits right then and there.

Of course, there are benefits to retiring earlier in life -- namely, the opportunity to enjoy more of your free time while you're relatively young, and the ability to leave a potentially stressful career behind sooner rather than later. But early retirement isn't all rosy, and there are consequences that can come along with it. Here are three compelling reasons to consider waiting until age 66 -- or later -- to exit the workforce permanently.



1. You'll reduce your Social Security benefits

Your Social Security benefit payments are calculated based on your top 35 years of earnings. Once your base benefit amount is established, you actually have the ability to raise or lower that number depending on when you first file for Social Security. The benefit of waiting until your full retirement age is that you won't face a reduction in benefits; rather, you'll get to collect your base payment amount in full. Filing early, on the other hand, will lower your benefits for life.

Now your full retirement age depends on the year you were born. For some of today's workers, that age is 66 on the nose. For others, it's a bit later. Here's when you'll be eligible to collect your full benefit amount based on the year you were born:

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960	67

DATA SOURCE: SOCIAL SECURITY ADMINISTRATION.

Just how much will claiming Social Security early cost you? Well, you'll lose 6.67% of your full benefit amount for up to three years, and then 5% a year thereafter. If your full retirement age is 66, your full monthly benefit amount is \$2,000, and you file for Social Security at 62, you'll knock those payments down to \$1,500. On the other hand, if you postpone those benefits past age 66, you can raise them by 8% a year up until age 70. Wait long enough, and you might turn \$2,000 a month into \$2,640 -- forever.

2. You'll have a longer retirement to fund

According to Transamerica, retirees in the U.S. have a median savings balance of \$119,000. Now that may seem like a decent sum at first glance, but when you consider the fact that Americans are living longer these days, it actually paints a pretty bleak financial picture.

Over the course of a 20-year retirement, \$119,000 gives you just \$5,950 a year, or \$496 a month, of income. Even if you factor in Social Security benefits, which, for the average retiree today, equal \$1,360 a month, that's still just \$1,856 per month, or \$22,272 per year, to pay your living costs in their entirety. Given that the typical retiree is expected to spend more than 40% of that amount on healthcare each year alone, that doesn't leave much wiggle room for the other expenses you'll encounter in your senior years, like housing, transportation, utilities, and food.

The problem with retiring prior to age 66 is that doing so not only gives you fewer working years to save, but also increases the number of years your (limited) savings will need to cover. Now if you've saved well and have enough money to live comfortably for those few extra years, then sure, you might as well enjoy an early retirement. But if your savings are at an average level or below, you'll be compromising your financial future by leaving the workforce a few years ahead of schedule.

3. You may get bored

Many workers relish the idea of retiring early and enjoying that additional free time. But too much leisure time could backfire in a very big way. According to research from the Institute of Economic Affairs, retirees are 40% more likely to suffer from clinical depression than younger workers. And a new study out of Oregon State University found that while working past age 65 might actually prolong your life, retiring sooner than that could be a risk factor for dying earlier.

The sooner you retire, the more creative you'll need to be in occupying your time, and if you don't have enough savings to support a busy lifestyle, you might quickly grow tired of the same old routine. In fact, in a recent **TD Ameritrade** study, 10% of retired baby boomers said they wound up returning to work to escape the boredom of retirement. If you're physically able to keep working until age 66, doing so might help you avoid an unhealthy dose of stir-craziness down the line.

While early retirement is right for some people, it's not the best move for everyone. Before you rush to hand in your permanent resignation, consider the consequences of leaving the workforce before age 66. Holding off a few more years could help you boost your nest egg, stretch your savings, and keep your long-term sanity in check

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