

# The New York Times

---

January 7, 2010

## Older Birthdays Offer Extra Reasons to Rejoice

By THE ASSOCIATED PRESS

**Filed at 2:08 p.m. ET**

CHICAGO (AP) -- Even if the candles don't all fit on the cake, there's extra reason to celebrate some key older birthdays in the post-meltdown economy.

Hitting certain milestones can provide financial and health-related security that those with their eye on retirement long took for granted but don't any more.

Since the bottom fell out of retirement portfolios in 2008 and early 2009, government entitlements and other protections earned with age have become more essential for the over-50 crowd.

[Social Security](#) and [Medicare](#) were almost an afterthought in the retirement planning process for many people a couple of years ago, according to Paul Leboeuf, a Houston-based financial consultant for [Charles Schwab](#) & Co. Inc. With the stock market booming, his clients weren't concerned with when they qualified for either program. They felt they had saved and planned sufficiently enough that they wouldn't need to rely on government money.

Since then, attitudes have changed because of the increased uncertainty and the entitlements are an underpinning of many retirement plans. Many of his clients are now thankful for the programs and even excited about becoming eligible, Leboeuf says.

"That's not to say that everyone is living off Social Security, but from a right-brain emotional state it's a security blanket," he says. "They often sleep better knowing it's there."

Harry Lutz, 64, an actuary from Dunwoody, Ga., remembers long ago dreading the time when he would be in his senior years. But he is looking forward to his birthday in June for one reason in particular: becoming eligible for Medicare.

"I'm not necessarily eager to turn 65, but I'll enjoy it when it happens," he says. "My out-of-pocket expenditures for health care will go down."

That used to be his target age for retirement, too, like a lot of other people. But now he'd like to work until he's 69, the year his wife, Rosanne, also is old enough to get into Medicare.

Financial benefits from getting older are first triggered at age 50. That's when workers who are behind in their retirement savings become eligible to make catch-up contributions to their workplace savings plans, such as a [401\(k\)](#) or 403(b), or [individual retirement accounts](#). In 2010, that's as much as \$5,500 extra. Added to a base contribution limit of \$16,500, that's a maximum \$22,000.

That's only noteworthy if you can afford to set aside the extra income. Just 13 percent of those eligible to make catch-up contributions in 2008 actually did so, based on a Vanguard study of more than 2,200 qualified retirement plans.

At 55, you can take money out of your 401(k) without being socked with the 10 percent penalty for early withdrawal. Though there's a big asterisk attached to that qualification. You have to quit, retire or be fired.

It's really 60-somethings who have the biggest cause for celebration when they hit breakthrough ages. The ones that people get most excited about are when they become eligible for Medicare and, especially, hit full retirement age as defined by Social Security.

"It's always a great day for people when they can turn in that application and get the full benefits," says Leboeuf.

The first older birthday with significant financial implications for all Americans is 62, the age when everyone becomes eligible to start receiving monthly Social Security benefits.

That doesn't mean you should take the money early. Social Security checks are about 25 percent less for the rest of your life if you retire at 62 instead of full retirement age, which now ranges from 66 to 67 depending on your year of birth.

Financial planners generally recommend holding off on taking benefits if possible. Drew Denning, a vice president in the retirement services division at [Principal Financial Group](#) in Des Moines, Iowa, half-jokingly says people should even lie to themselves about their age, telling themselves they're about three years younger so they won't be tempted to apply early.

There are numerous compelling reasons to wait beyond 62.

Earnings limits on recipients who have not reached full retirement age can hurt them if they decide to work part-time later -- they will reduce benefits by \$1 for every \$2 earned over the annual limit (\$14,160 in 2010). Traditional pensions are on the wane, making Social Security more essential for many. And waiting for those bigger monthly checks -- for example, \$2,000 or more for someone who would have gotten \$1,600 at 62 -- can really add up over the course of 15 or 20 years in retirement.

The economic turmoil has made it necessary for many to take advantage of the opportunity as soon as possible. Applications for benefits in fiscal 2009 were up 21 percent over the previous year, according to the [Social Security Administration](#).

Turning 65 is a welcome event for many because of Medicare. Most relieved are those who are retired and either don't have insurance or had no option but to get an expensive plan. That includes millions who have been denied proper health insurance because of preexisting health problems -- a shortcoming that pending health care legislation may rectify.

Just be aware that Medicare isn't a cure-all for high health care costs. People age 65 and over spent an average of \$4,888 per capita annually out of pocket for expenses not covered by insurance, according to a 2004 study by the National Center for Policy Analysis.

"There's still a misunderstanding about continuing health costs for retirees," says Denning. "A lot of people think, 'Oh, I hit 65, I don't have to pay for medical care now.' No -- that doesn't go away."

Perhaps the biggest milestone for older workers is full retirement age, although it's not always on a birthday. It's 66 if you were born from 1943-54 and 67 if you were born in 1960 or later. In between, it's 66 and two months if you were born in 1955, 66 and four months if born in 1956, and so on up to 66 and 10 months for those born in 1959.

While that's worth celebrating, you can afford a bigger birthday party and a more prosperous retirement if you wait until 70.

If you postpone taking Social Security until then, your monthly check will reach its maximum amount. The benefit increases by 8 percent for each year you delay beyond normal retirement age. That could make it close to a third larger taking it at 70 than at full retirement.