

Money

Here's When Claiming Social Security Early Can Actually Pay Off

By: [Martha C. White](#)

Editor: [Katherine Peach](#)

Published: Jul 13, 2026 8:30 a.m. EDT

Conventional wisdom says delaying Social Security produces the biggest lifetime benefit. While that's true for most retirees, financial planners say there is one niche scenario where claiming as early as 62 — and investing every benefit check instead of spending it — can produce a better financial outcome, albeit with a couple of significant caveats.

Most Americans can start collecting Social Security retirement [benefits](#) at 62. But “full retirement age” for people born in 1960 or later is 67. For every month before that age, Social Security takes about half a percentage point off your full retirement age benefit. That might not sound like much, but it adds up to a 30% reduction if you start getting payments at 62. The reduction is permanent.

Conversely, you can boost your monthly benefit amount if you wait even longer, thanks to Social Security’s system of delayed retirement credits, or DRCs. For every month you postpone, from your full retirement age until age 70, you get two-thirds of a percentage point more. Again, that might not sound like a lot, but

waiting until 70 can make you eligible for up to 124% of your benefit, which is about \$500 a month for the average retiree.

Of course, many people start receiving Social Security at 62 because they need the income and don't have any other choice.

A [survey](#) of working-age Americans conducted last year by investment management firm Schroders found that nearly half — 44% — plan to take benefits before they turn 67. Social Security Administration [data](#) shows that only about 8% of retirees wait until 70 to begin taking benefits.

Some retirees who could afford to wait, though, might benefit from claiming benefits at 62 and investing that money into an index fund.

Back-of-the-napkin math suggests that this file-early-and-invest strategy could generate roughly \$235,000 by the time you turn 70, assuming stock returns matched the S&P 500's historical long-run average of roughly 10% annually.

If you drew down that money over the next 10 years, your monthly payment would be about \$150 more than if you'd just waited until 70 to start taking Social Security in the first place.

Bear markets, taxes and other risks abound

But that extra estimated \$150 a month comes with a big asterisk attached: If the market doesn't perform as well as its historical average of 10% annual returns, you could wind up with much less money, especially if your first few years after taking Social Security

at 62 coincide with a sharp [downturn](#) like the Great Recession, when major indices lost more than 50% of their value.

Retirees have to balance growth and risk based on their income needs: More exposure to the stock market can generate more income in good years, but an economic slump could mean having to either slash your spending or draw down principal, which permanently reduces the amount of income you can expect your nest egg to generate in the future.

For most retirees, Social Security is their only source of guaranteed income. To expose that money to the [volatility](#) of the market injects additional risk that might not align with retirees' goals or give them peace of mind financially.

"[Social Security] is an asset class you can consider either low or non-correlating with the stock market," says Peter Gallagher, managing director of Unified Retirement Planning Group in Briarcliff Manor, N.Y. Filing for benefits early just so you can invest the money eliminates that buffer.

"You're actually taking the investment and taking it into the same type of asset class," he points out.

There are also tax consequences that could chip into those investment earnings. Unlike a Roth IRA or 401(k), which allow tax-free withdrawals in retirement, you'll pay taxes on investment gains if you put your Social Security money into a brokerage account.

And even if you're not using your Social Security money for everyday expenses, it counts as income that can trigger Medicare surcharges for high earners, or it can make you ineligible for income-based health insurance subsidies — a key factor if you want to retire early and get a marketplace plan until you qualify for Medicare.

If you're married and were the primary breadwinner during your working years, remember that claiming early reduces how much Social Security your spouse will get if they outlive you. Maximizing a surviving spouse's benefits is important because widows and widowers already face the inevitability of a lower income when they go from two Social Security payments to one.

"One thing that often seems to be overlooked is that the surviving spouse will have an income drop, because they'll either stop getting their spouse's benefit amount or their own," says Kevin Chancellor, certified Social Security claiming strategist and CEO of Black Lab Financial Services in Melbourne, Fla. "That's an under-realized event that can catch surviving spouses unawares."

When claim-early-and-invest might make sense

That said, there is a scenario where filing for Social Security early and investing those funds makes sense, but the goal isn't to use the money to fund your own retirement. "The real benefit is not drawing it down at all" during your lifetime, Chancellor says. Instead, the claim-early-and-invest strategy can be an effective, tax-efficient way to leave a financial legacy to your heirs.

A taxable investment account with several years' worth of Social Security benefits could grow to a significant balance if you don't touch the money before you die. It also has an advantage compared to some other inheritable assets.

If you leave an heir (not including your spouse) a retirement account funded with pre-tax dollars, they only have 10 years to draw down the balance, and that money gets added to their taxable income for the year.

If you want to leave an IRA to an adult child and you expect to have a typical life expectancy, there's a good chance that the account will pass into their hands at the peak of their career. A 10-year window to draw down the funds that overlaps significantly with an heir's top earnings years can mean big tax bills.

On the other hand, if you leave them an investment account funded with your Social Security benefit money, they'll actually get a tax break when they inherit it. A provision called the step-up in basis rule effectively resets the value of the account to its balance on the day of your death.

The upshot: Your heirs aren't responsible for paying taxes on the appreciated gains that occurred during your life. They'll only have to pay taxes on appreciated gains after your death; plus, those profits are taxed at capital gains rates, which are lower than ordinary income tax rates.

While this scenario might make financial sense for some families, though, forfeiting higher monthly payments isn't a decision to make lightly. The important thing for retirees to keep in mind is to make sure their own financial needs are met first and foremost, Gallagher says.

“As long as you know you have enough — it’s the ‘put your mask on first’ in the airplane scenario,” he says. “At the end of the day, it comes down to whether they need the income or not.”

#

Note: *Third party links are provided to you as a courtesy. We make no representation as to the completeness or accuracy of information including from third-party links contained within, and this information should not be construed as an endorsement or adoption by us of any kind.*