

Social Security: using options modeling to optimize retirement withdrawals

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Abstract

The conventional wisdom is to put off receiving Social Security benefits until the age of full retirement. This may or may not be true in any given case according to the optimal stopping time concept in option modeling. There have been publications in this area, but the optimal stopping time concept was not used. My contribution to the literature will be to give those nearing retirement a framework to make the decision to retire completely or partially or wait until full retirement age.