

Social Security Changes... for the Worse

If you haven't heard by now let me be the one to break the bad news to you. Buried in the most recent budget deal our government has changed two significant rules for collecting Social Security. And they will cost many people tens of thousands of dollars over their lifetime.

File and Suspend

File and suspend was a very popular strategy that will no longer be allowed. Under file and suspend a person (spouse 1) reaching full retirement age would file for social security benefits and then immediately suspend the receipt of those benefits. Suspending benefits would allow spouse 1 to accrue delayed retirement credits (increase their Social Security income by 8% per year) up until age 70 while at the same time allowing their spouse (spouse 2) who has also reached retirement age (and/or other dependents) to collect benefits based on the earnings record of spouse 1.

With the change in the law spouse 2 (and dependents) will only be able to collect benefits based on the earning record of spouse 1 if spouse 1 is actually collecting benefits (i.e. not if benefits are suspended).

The good news, if there is any, is that if you have already filed and suspended benefits the new law will not apply to you. Further, there is a small window whereby if you are age 66 or older before May 1, 2016 you can still request file and suspend to trigger spousal and dependent benefits.

Anyone younger than age 66 as of May 1, 2016 is out of luck.

Restricted Claim

A restricted claim is when spouse 2, upon reaching full retirement age, files a restricted social security claim for benefits based on the earnings record of spouse 1 (assuming their spouse is either already collecting or has previously filed and suspended benefits). This would allow spouse 2 to accrue delayed retirement credits based on their own earning record (8% per year) to age 70 while still collecting a spousal benefit.

With the change in the law any claim for social security benefits will be deemed to have filed for both your own benefit and your spousal benefit at the same time. You will receive the higher of the two amounts, but can no longer accrue delayed credits on your own earning while collecting the spousal benefit.



Once again there is a small window for those close to retirement to take advantage of a restricted claim. Anyone who is age 62 by the end of 2015 will retain the right to file a claim for restricted spousal benefits once they turn 66 (assuming their spouse is either already collecting or has previously filed and suspended benefits).

Anyone younger than age 62 by the end of 2015 is out of luck.

Tempo Holiday Offer

Even though File and Suspend and Filing for Restricted Benefits may no longer be options you still have choices. Tempo can analyze your specific situation and show you how to maximize your Social Security income.

At this time we are still able to offer this service free of charge. But this may not always be the case.

Please contact us if you would like to learn about your choices and how they affect your lifetime Social Security income. If Tempo has already performed this analysis for you let us know if you would like us to update your analysis in light of these changes.

Best regards,

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