Social Security Got You Confused Too?

Don't let it! We've got insight to share to help make the confusing clear again!

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Part 1 of a 6-part series

Part 1: Consider taking Advantage of These Social Security Claiming Strategies Before the 4/29/16 Deadline!

Claiming for your social security is possibly *the* most critical decisions you will make in your retirement plan. We see 10's of thousands of dollars left on the table all the time from clients that are claiming improperly and not getting the most that they are entitled to. We are committed to fully understanding the ins and outs of claiming strategies for all types of situations and are compelled to ensure our area is well versed in how to capture someone's biggest benefit. The time to think about this is right now, as AARP states, 10,000 baby boomers will turn 65 EVERY DAY until the year 2030! On top of that there are some changes taking place to the system on 4/29/16 so there is some urgency.

As I mentioned above, the administration has made another change to the social security system. You say "Another? It seems like they never make any changes to fix the problem!"

And while some of that thinking might be true, the administration has made nearly 100 changes to the program since President Roosevelt Signed the Social Security bill into law on August 14th, 1935. Most of these changes go unnoticed which may be by design, but these subtle, yet meaningful changes, continue to extend the program to ensure that it will continue indefinitely into the future, as it was intended to. Under the Senior Citizen's Freedom to Work Act of 2000, there was a provision that allowed for the suspension of one's benefits, which essentially created filing strategies that are presently being retracted. These filing strategies are now referred to as "aggressive filing" and were removed in Congress' recent passing of the Bipartisan Budget Act of 2015. The aggressive filing strategies that will be removed or changed as of 4/29/16 include; **"File and Suspend", "Restricted Application" and "Collecting Retroactive Benefits."**

This article is the first of a 6 part "Social Security Claiming Strategy" series that will take place over the next 6 months to GIVE YOU THE UPPER HAND when making this critical decision.

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For purposes of this article we are going to focus on the "File and Suspend" and "Collecting Retroactive Benefits" strategies as they will be phased out completely on 4/29/16. We will discuss the other filing strategies in future articles.

"File and Suspend"

In order to qualify for this strategy, you must be age 66 by 4/29/16 AND have filed and subsequently suspended your benefits by this deadline as well, time is a ticking! By filing for your own benefit you have then allowed your spouse to receive up to 50% of your full retirement age (FRA) benefit, if he/she waits until his/her FRA as well to file. This is essentially "having your social security cake and eating it to!"

By simultaneously suspending your benefit, this allows you to continue to earn delayed retirement credits of 8% per year from 66 to the age of 70 (about a 32% increase in benefits!). Once you reach the age of 70 you would then unsuspend your benefits and receive the full benefit amount as if you never touched them, and your spouse would then go on his/her own social security benefits. You say, "show me the money" well here it is:

Example: John and Jane each have enough credits to qualify for social security benefits. John was the higher earner (could be Jane and would work the same) over the course of their working careers and in turn has a higher social security amount at FRA. Both have recently reached their FRA and can now file for full benefits. John's FRA benefit is $2,000/month, while Jane's is $800/month.

Scenario 1, Filing own benefits at 66: Once they turn 66 or FRA, they can each file for their own benefit. This would result in total monthly income for them of $2,800.

Scenario 2, Filing with "File and Suspend": Alternatively, if John filed and then suspended his benefits by 4/29/16, this would allow Jane to take up to 50% of John's benefits while letting BOTH of their benefits grow at the 8% delayed retirement credits until they turn 70. So in this case, Jane would get half of John's benefit, $1,000/month ($200 greater than her own) until they turn 70. When they hit 70 they will each switch to their own benefit. At 8% per year growth this would be a 32% increase in each of their benefits. So at age 70, John's benefit would be $3,696 and Jane's benefit would be $1,056 for a total monthly benefit of $4,752!

In the second scenario you would only need to make up for $1,800 in monthly benefits to be made whole from the first scenario. This could be funded from additional withdrawals from other retirement assets. This would increase both of their benefits by a total of 32% and give them extra monthly income of $1,952 at age 70 (not counting for cost of living increases, if any)! This larger benefit will also mean larger cost of living adjustments and bigger benefits in future years. In addition, the survivor benefit to Jane, if John were to predecease her, would be larger being John let his benefit receive the deferral credits giving her an extra $896/month!

Important note to keep in mind is that even though you may already be collecting benefits and past the age of 66 there is still hope. You can still suspend your benefits, allowing your spouse (who must have reached FRA as well) to claim his/her spousal benefits. After 4/29/16 this will <u>not</u> be allowed because those that file for benefits are affectingly filing for both benefits and cannot choose it as this strategy currently allows.

"Collecting Retroactive Benefits"

Same qualifications here as with file and suspend. You need to have reached the age of 66 by 4/29/16, and have filed for your benefits and suspended your benefits by that date as well. As you can see, the logistics of this strategy are the same so far but how you collect the benefits are different.

This strategy essentially was allowed in the past for any of those filers who had reached the FRA but were not sure if they should file for their benefits or continue to delay them and get the 8% delayed credits. So this allowed them to do both essentially.

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If you did not file and suspend, the rules allowed you to go back 6 months and collect retroactive benefits in a lump sum, but then you would be receiving your benefits at the monthly amount as if you started drawing 6 months prior. Alternatively, if you file and suspend your benefit you are allowed to collect retroactive benefits up to 4 years potentially. This could be considered an emergency fund of sorts. You say "show me the money" well here it is again:

Example: John is single and has a $2,000/month benefit at his FRA. He recently finds out some unfortunate health news and would like to collect as much of his retroactive benefits as possible.

Scenario 1, Collects retroactive benefits but did not file and suspend: John can file for his retroactive benefits but will only receive a lump sum of 6 months' worth of benefits or $12,000.

Scenario 2, Collects retroactive benefits but DID file and suspend at FRA: In this scenario John can collect retroactive benefits all the way back to his FRA in a lump sum. Here he would receive a lump sum of 48 months' worth of benefits or $96,000!!

In the second scenario this would provide the emergency fund that may be needed at just the right time. One of the biggest fears for single filers is what if they delay but then die early. This method would allow them four additional years to assess your health and know that you could also go back to collect a large lump sum.

We strongly encourage anyone who falls in the age range of 66-70 to see if either of these strategies makes sense for him/her and to come in and have Scott run the numbers. While this ***is*** changing, it might not be too late for you!

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. There is no assurance that the techniques and strategies discussed are suitable for all individuals or will yield positive outcomes. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. *Scott and his team can be reached at (815) 907-7360 or visit them on the web at sapiggush.com*

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