

Hello Everybody,

Happy New Year and welcome to the first quarter 2016 *Social Security Blanket* newsletter. I thought Social Security rules couldn't get more complex, but I was wrong. Last October, the House and Senate passed the new federal budget bill (later signed by the President on November 2) which closes "unintended loopholes" in Social Security claiming strategies.

The first targeted strategy was called "file and suspend" and it allowed one spouse (the husband, for this example) to contact Social Security at age 66, complete the paperwork to receive his check but immediately suspend it so that his benefit could grow by 32% to his age 70. Meanwhile the wife, also 66, could have claimed spousal benefits of 50% of husband's benefit until she turned 70. Then she could switch to her own larger benefit. This amounted to four years of smaller checks for the wife from her age 66-70, often \$10,000 per year or more.

This strategy could be applied to similar effect for divorced spouses claiming on each other's records from 66-70 and then switching back to their own higher benefit at 70.

"File and suspend" also allowed the husband to change his mind about delaying, say at 69 if he was diagnosed with a terminal disease. He could call Social Security to claim his entire suspended benefit in a lump sum and continue forward as if he had started collecting checks at age 66 (the "insurance" strategy).

The "file and suspend" strategy will still be available as a "voluntary suspension" allowing people who start benefits - and then later decide to go back to work - to suspend benefits in order to build delayed credits to age 70.

The second tactic allowed a spouse (this time say the wife) at age 66 to file a "restricted application" and collect only her spousal benefit. In our class at UNM, we called this the "claim-now-claim-more-later strategy." For example, say she had re-married and the new husband was already collecting Social Security. She could have received only her spousal benefit for four years so her own could grow by 8% per year to age 70. Then switched to her own at 70. This strategy gave smaller checks to the wife for 4 years while her own benefit grew in the background. And this approach also allowed a divorced spouse to collect on her ex-husband's record at her age 66 while her own benefit grew to 70.

In the future, if you file for Social Security, you will have automatically filed for all benefits eligible to you and you will receive the largest available benefit. This effectively eliminates both strategies described above. The "file and suspend" limitation begins on April 30, 2016, which is 180 days after the budget's effective date. This means you must call Social Security before the 4-30-16 deadline to "file and suspend" your application. And since you have to be "full retirement age" to use "file and suspend," then you also must have turned 66 by 4-30-16 to use

this strategy. **IF YOU WANT TO USE FILE AND SUSPEND, THEN YOU MUST CALL SOCIAL SECURITY BY 4-30-16 OR FOREVER MISS YOUR OPPORTUNITY TO DO SO.**

The “restricted application” rules are still available to those who turn 62 before the end of 2015 (born before 1954). If you turn 62 in 2016 or later, you can no longer use the “restricted application” tactic. For example, if you’re divorced and 62 by year-end, you can still call Social Security when you turn 66 and file a restricted application. You will collect 50% of your ex-spouse’s benefit for four years and then start your own (larger) benefit at age 70.

So now there are even more twists and turns in the Social Security landscape. Are you or a friend or family member getting ready to collect Social Security? Call us to review your situation and we’ll be your *Social Security Blanket*. 505-346-3434.

With Warm *Social Security Blanket* Regards,

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