Don't leave SOCIAL SECURITY $$ on the table! See if this strategy is right for you…

Written by: Scott A. Piggush, WMS
Financial Advisor/Owner
SA Piggush Financial Consultants in Manteno, IL
scott@sapiggush.com

(2 of 6-part series)

The highly anticipated 4/29/16 "file and suspend" Social Security deadline has expired and the anxiety of what to do has passed. Some seem to have taken advantage of it, some did not, and some are still wondering what "other" options do I have available to take advantage of now that the deadline has passed?

In the second of our six-part series, I am going to discuss one of my favorite filing strategies…**Restricted Application** or also known as "Claim now, claim more later." The reason this is one of my favorite strategies is because both spouses can draw a benefit during a benefit delay, and the only qualifications are that you have reached the age of 62 by 1/1/16 and are eligible for a benefit! Unfortunately, most people are not aware of this strategy, but in my opinion this is probably the most practical to use of all the spousal strategies.

If you read our previous article last month you will remember that this filing method was mentioned, but not discussed in detail. The reason for that is because there was nothing you could do by any sort of deadline to qualify for this. The only thing that qualifies you, and of course you have no control over, is that you were of the age 62 by 1/1/16.

According to the Insured Retirement Institute, nearly 60% of the population considers social security to be a "Major Source" of retirement income for them. I want to show you how to make sure you get the most possible from it! There are two places I have found where people do not want to leave money on the table and that is with the IRS and Social Security! We want to show you the actual numbers so you can clearly see how to take advantage of this strategy if you qualify for it.

Here is a hypothetical example based on common scenarios we see of a married couple that were grandfathered in and how we were able to maximize the amount of their Social Security benefits through this strategy:

To give you some background on this couple, we were asking them what were their current filing plans with Social Security for the wife. They told us that the wife (who happened to be the lower earner) was going to start drawing at her full retirement age (FRA) of 66 being she was no longer working, and her husband (higher earner) was going to delay to 70 and start his benefit at that time in order to get the full 8% annual delayed credits from ages 66-70. We can analyze their preconceived method and the suggested enhanced method using Restricted Application, then compare the two methods of filing, which shows that they could **be leaving over $6,000 of annual benefits on the table!** This was possible even without effecting the husband's delayed credit increases!

For purposes of this illustration we will refer to the husband as Steve and the wife as Brenda. Steve had a Full Retirement Age (FRA) benefit of $2,240/month and Brenda's was $950/month, and they were both the same age. As mentioned above, Brenda was going to draw her benefit at her Full Retirement Age (66) and this would give her an annual benefit of $11,400 ($950 x 12). Steve was going to let his benefit grow until he was 70 which would give him an increased annual benefit of $39,472 ($3,289 x 12). Here is how their preconceived scenario looked on paper:

Steve	*Annual Benefit	Brenda	*Annual Benefit
Age 66	**$0**	Age 66	$11,400
Age 67	**$0**	Age 67	$11,708
Age 68	**$0**	Age 68	$12,024
Age 69	**$0**	Age 69	$12,348
Age 70	**$39,472**	Age 70	$14,952

*Assumes Cost of Living Adjustment (COLA) increase of 2.7% each year

In our **enhanced scenario** using the Restricted Application filing method, they will pick up money each year that they would have otherwise left on the table. In this scenario once Brenda files for her benefit at FRA, Steve then has the option to file, but "Restrict" his benefit, and choose his spousal benefit instead of his own. Because he waited until his FRA to draw his spousal benefit, it will be equal to 50% of Brenda's FRA benefit. Here is how this "enhanced" scenario looks on paper:

Steve	*Annual Benefit	Brenda	*Annual Benefit
Age 66	***$5,700***	Age 66	$11,400
Age 67	***$5,854***	Age 67	$11,708
Age 68	***$6,012***	Age 68	$12,024
Age 69	***$6,174***	Age 69	$12,348
Age 70	**$39,472**	Age 70	$14,952

*Assumes Cost of Living Adjustment (COLA) increase of 2.7% each year

You will notice that Steve's benefit at 70 is exactly the same under each scenario being he never touched his benefit, rather he "restricted" his own application and chose his spousal benefit. With that spousal benefit on the table they could receive approximately an extra $6,000 per year or a cumulative amount of **$23,740** over the 4 years!

As you can see this is why I mentioned it is a very practical method to delay because even though one person is delaying their own benefit, they can take their spousal benefit, allowing them to BOTH draw benefits. This significantly increases their total household income while the husband is still in full delay mode.

File, but RESTRICT, and choose your spouse's benefit instead!

This is real money that many people are not taking advantage of. Remember, anyone who has turned the age of 62 by 1/1/16 should consider running these numbers for their own situation to see if it would benefit them. In this case it will certainly benefit Steve and Brenda and could very likely work for you!

We would be more than happy to run those numbers for you with our sophisticated Social Security planning software. Don't think that because this exact situation doesn't fit you that you cannot take advantage of Restricted Application. There are MANY ways to take advantage of this method and this is just one scenario. So if you were age 62 by 1/1/16 and are wondering when and how to draw Social Security, please talk with a qualified professional to run the numbers.

Scott and his team specialize in Retirement Income Planning for individuals and couples getting close to retirement. They can be reached at (815) 907-7360 or you can visit them on the web at www.sapiggush.com