

## MEENA'S MONTHLY FOCUS ON SOCIAL SECURITY

Hello Friends,

By now, the world has learned of UK's vote to leave the European Union. It is a significant world event that will change the EU dynamics and move UK and Europe into uncharted territory.

By most counts, the vote appears to be a generational vote with the old wanting to reclaim its sovereignty and the young preferring to live in a more multi-dimensional world. Overlaying this preference are each generation's unique edifice and presuppositions. As a young baby boomer and an immigrant, I can appreciate both sides of their argument.

Now that the people have spoken, what next? Will we see buyer's remorse when reality begins to sink in? Will the high-profile divorce be a civil one, or one of those lose-lose, cut-the-nose-to-spite-the-face type of drama? Will there be, as some begin to hope, a redo?

Not many things in life get a second chance. Once we walk down that proverbial aisle and say I do, getting a redo can be financially costly and emotionally exhausting. So borrowing this theme, let's talk about the three ways to redo a prior Social Security claiming decision.

### ~ HIGHLIGHTS ~

#### **Redo #1 – Withdraw Within 12 Months:**

Anyone who started Social Security retirement benefits has a **once-in-a-lifetime** opportunity to [withdraw his application](#) and re-apply at a later date. To do that, one has to meet these three requirements:

1. The withdrawal must be done within 12 months after benefits began;
2. Everyone (except ex-spouse) who has received benefits off the worker's earnings record must consent to the withdrawal and pay back all the benefits;
3. Submit to SSA Form [SSA-521, Request for Withdrawal of Application](#).

Anyone who misses this 12-month window will have to wait until they reach [Full Retirement Age](#) (FRA) to [suspend their retirement benefits](#).

There are more than one reason why people want to withdraw their application. But the two biggest reasons come down to a) there is a substantial change in the worker's financial situation, such as going back to work; or b) the worker realizes he and his family could get more lifetime benefits by postponing his benefits to a later date.

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## **Redo #2 – Suspend Benefit at FRA:**

For various reasons, a person cannot (i.e. miss the 12-month window) or does not want to withdraw his application (i.e. not wanting to repay the benefits). In this case, a person can wait until he reaches FRA and suspends his benefits in order to collect the 8% annual [delayed retirement credits](#).

Under this option, neither the worker nor his family will need to repay their benefits as in Redo #1. This option is also appealing for workers who are looking for the highest survivor benefit for their spouse especially if the spouse is much younger.

One note worth mentioning here is, as a result of the Budget Act of 2015, anyone (except ex-spouse) who receives benefits off a worker's earnings record will **lose** her benefits when the worker suspends his benefits. An exception applies to workers who have filed and suspended their benefits by April 29, 2016.

## **Redo #3 – Suspend Disability Benefits at FRA :**

As many of you know, Social Security disability benefits **automatically** convert to retirement benefits when the worker reaches his FRA. This opens up the option for him to take advantage of Redo #2 and increase his lifetime benefits by 8% each year until age 70. This is a strategy especially suitable for workers whose spouse is much younger, or didn't work much in their lifetime, or both.

In conclusion, these three redo strategies will allow your clients to correct an earlier mistake, or to modify their existing benefits in order to better maximize their lifetime benefits. Whether your clients are aware of these strategies, it is a good thing to review it with them.

## ~ ON A PERSONAL NOTE ~

### **Personal Note:**

Everyone I know who went through a divorce, matrimonial or not, finds it a demoralizing experience. Some may come out less scathed than others, but many find it hard to bury that visceral sense of betrayal.

All divorce, again matrimonial or not, have unintended consequences. Just look at the \$3+ *trillion* worth of personal wealth that got wiped out in the two days following the Brexit. This may be just numbers to some, but to many it's their retirement.

But, as Abraham Lincoln once said, "*This, too, shall pass.*"

Enjoy our beautiful weather!

Meena

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