IMPACT Financial

We Help **Baby Boomers** Achieve
Their Retirement Goals

MEENA'S MONTHLY FOCUS ON SOCIAL SECURITY

Hello Friends,

Here we are, trudging through another tax season. For the next seven weeks, many of you will be working long, uncivilized work days, some perhaps seven days a week. Adding insult to injury, tax forms are taking notoriously longer to come out despite the leap in technology. So trust me, *I feel your pain*.

What is also painful is seeing so much confusion surrounding the new Social Security rules that Congress passed last November. Never in my years in the business have I gotten so many questions on one singular subject.

So at the risk of beating the subject to death, let me break this down for you in a question and answer format to see if I can remove some of the confusions…

~ HIGHLIGHTS ~

What is going away?
Two popular Social Security claiming strategies, known as *File and Suspend* and *Restricted Application for Spousal Benefit*, will go away. It will have huge impact on people who either have not turned 62 last year or have not reached their full retirement age by April 29, 2016.

What is Restricted Application for Spousal Benefit?
As the name implies, it allows your clients to restrict their benefit to ONLY spousal benefit. Why is it so popular? Because it allows your clients to get *some* benefits while their own benefits grow at 8% a year. It is almost a no-brainer and perceived by many a loophole. So now Congress is closing this loophole. Anyone who didn't turn 62 in 2015 will no longer be able to use this claiming strategy. Anyone who turned 62 in 2015 will continue to have this option once they turn full retirement age.

What is File and Suspend?
Again, as the name implies, it allows your clients to file for their benefit and then right away suspend their benefit. So why bother with all that trouble to file and not collect the benefit? Because it allows your clients' spouse and children to collect benefits based on your clients' work record while your clients' own benefits get to earn the delayed retirement credits. It is not quite the no-brainer as the Restricted Application as there are more considerations to consider. But for most people, it could add thousands of dollars to their lifetime benefits, and a strategy that is perceived a loophole. So Congress is closing this loophole. After April 29th, while your clients CAN **STILL** FILE AND SUSPEND upon reaching full retirement age, **no one can collect benefits on the worker's record during the time your clients suspend their benefit**.

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What if my clients are already using one or both of these two claiming strategies?
Then congratulations! The new rules won't impact them at all.

What happens if I am eligible to file and suspend but missed the April 29th date?
If you missed the date, the old law would no longer be available to you. In its place is the more restrictive new law. Please don't allow this to happen to your clients.

Why such an odd date, April 29th?
Because April 29th is the last business day of the month.

How does the new rules affect my divorced clients?
At this point, it is unclear. Based on the interpretation of the new file and suspend rule, technically no one can collect benefits on a worker's work record if that worker chooses to "suspend" his benefit. Whether that extends to divorced spousal benefit is yet to be clarified. My take is that it will not.

How does the new rules affect my widowed clients?
Nothing has changed in this area. If your clients are eligible for survivor benefit and their own retirement benefit, they can still choose to take one benefit now and switch to another benefit later.

Any other changes I should know of?
The basic options remain the same. Age 62 is still he earliest your clients can claim Social Security retirement benefits. Your widowed clients can claim survivor benefits as early as 60 and your disabled clients can claim survivor benefits as early as 50. Delayed retirement credits remain the same for those who defer their benefits beyond their full retirement age; and earnings penalties still apply to those who earn beyond a certain threshold.

~ ON A PERSONAL NOTE ~

Personal Note:
After 18 years, my brother got laid off by a household high tech firm. It was quick and unexpected, painful for his ego and esteem. At his age, he didn't think he could compete with tech savvy kids who have never seen a typewriter. So he bought himself a 10-speed bike and was planning to pedal away his misery cross country.

Then equally quick and unexpected, he got an offer from another household high tech firm to work on a supposedly secret project. It's a pool he's diving into not knowing how deep, and swimming with young people half his age and twice as smart.

It wasn't an ideal situation, especially not for someone like my brother who thrives on routines. Yet he trudges along the same way we trudge through the brutal tax season, *simply doing what needs to be done*.

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