

Big Changes in Social Security Headed Your Way

by Eve Kaplan, CFP(R)

There are big changes in Social Security benefits headed your way. Congress surprised the financial advisory community in November 2015 by killing off two Social Security strategies many of us advisors utilized to maximize benefits for our married couple clients: 1) “file-and suspend” and 2) “restricted application.” Couples most affected by these changes are in their 50s and 60s.

Some of these changes already went into effect on 12/31/15 and others go into effect on April 30, 2016 – so you still have a few months to capture some of these strategies before they disappear.

“File and suspend”: If you and your spouse are 66 by 4/29/16, you still have a few months to deploy this strategy.

(Explanation: “File and suspend” allows e.g. Henry (who currently is 66) to file for his Social Security benefits and immediately suspend (= postpone) receiving them until he turns 70. Doing so enables his wife, Elaine, to deploy the “restricted application” (see below) strategy so she can collect half of Henry’s benefit. When Elaine turns 70, she reverts to an even higher benefit by switching to her own work record entitlement). This strategy ends on April 29, 2016. You can utilize this strategy if you turn 66 by 4/29/16.

“Restricted application”: If you turned 62 by 12/31/15, you can file a “restricted application” when you turn 66 – *if* your spouse already is receiving Social Security benefits at that time or already deployed a “file and suspend” strategy. (Explanation: Doug is 67 and already receives Social Security benefits. His wife, Janet, turned 62 on October 1, 2015. Since

she was 62 by the 12/31/15 deadline, she is eligible to receive 50% of Doug's benefit at age 66. When Janet turns 70, she can receive the higher benefit she may have accrued on her own work entitlement).

If you're having trouble following all of this (and deciding how it affects you), *you're not alone*. There are dozens of articles about Social Security "file and suspend" and "restricted application" benefits but they are sometimes hard to follow. Even if "file and suspend" and "restricted application" is ending or being phased out, there remain numerous Social Security strategies that affect individuals, couples, widows, divorcees and dependents.

If anything, Social Security (and Medicare/Medicaid) benefits will continue to come under further funding pressure as the enormous "Baby Boomer" demographic group leans more and more heavily on them (and has fewer younger tax payers to help cover the costs). When I model Social Security benefits for clients, I sometimes assume a "haircut" (reduction) of benefits in order to test the strength of a financial plan.

Social Security – ideally – never was meant to be the sole source of income in retirement. The less you personally are reliant upon Social Security benefits to cover your retirement expenses, the better! It's not too late to plan. Either way, it's best to get advice from a financial planner or to contact Social Security as soon as possible to clarify your benefits situation.

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