

Creative Social Security Claiming Strategies: Understanding the Nuances

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With more people learning about file-and-suspend and claim-now-claim-more-later, mistakes are being made – like trying to do certain things before full retirement age. Make sure you understand the rules before going down to your Social Security office.

The Senior Citizens' Freedom to Work Act of 2000 ushered in some subtle rules that baby boomers are now taking advantage of to receive a little extra income from Social Security.

One strategy is **file-and-suspend**, where the higher-earning spouse files for Social Security upon reaching full retirement age in order to entitle his spouse to her spousal benefit, and then immediately suspends his benefit in order to earn delayed credits to age 70.

The other strategy is **claim-now-claim-more-later**. This strategy turns the traditional way of claiming spousal benefits on its head by having the high-earning spouse claim HIS spousal benefit off the low-earning spouse's earnings record from age 66 to 70 while his own benefit builds delayed credits.

While these strategies are simple in theory, it is important to understand the nuances as they apply to your individual situation. One or the other (or both) may be available

to you, but it is critical to get the timing just right. Here are corrections to some common misunderstandings.

You can't claim a spousal benefit until your spouse has filed for his or her benefit. This is a basic rule. Any spousal strategy, whether traditional or innovative, requires that the spouse on whose record the spousal benefit is based apply for his own benefit first. This means the spouse must sometimes wait. If Jack is only 64 when Jill wants to file for her spousal benefit, and if Jack wants to delay filing in order to earn maximum delayed credits, Jill has no choice but to wait until Jack is ready to file before starting her spousal benefit. However, she need not wait until Jack is 70. As soon as Jack turns full retirement age, he may file and suspend.

You must be over full retirement age to file and suspend. Anyone can file for Social Security at 62, of course. But to voluntarily suspend your benefit in order to earn delayed

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credits, you must be over full retirement age – currently age 66 for people born between 1943 and 1954. Many people want to file-and-suspend as soon as they turn 62. Can't do it.

You must be over full retirement age to receive a spousal benefit if your own benefit is higher. Again, many people think they can claim-now-claim-more-later as soon as they become eligible for Social Security at 62. So they go into their SSA office saying they just want to receive their spousal benefit while their own benefit builds delayed credits. Then they are surprised when the SSA worker tells them that they have to take their own benefit because it is higher. Under the deemed filing rule, anyone who applies for Social Security before full retirement age is deemed to be filing for both the earned benefit and the spousal benefit; you don't have a choice. After full retirement age you do.

To receive a spousal benefit when your own benefit is higher, you must restrict the scope of your application to your spousal benefit. Sometimes people correctly wait until they turn full retirement age to claim their spousal benefit and are still turned away by an SSA worker who says they can't do it because their own benefit is higher. In this case, the applicant did not issue the correct instructions. If you are over full retirement age and want to receive a spousal benefit while your own benefit builds delayed credits, you must say to the worker, "I'd like to restrict the scope of my application to my spousal benefit." If you say these words, the worker will not even look at your own benefit and will be obligated to start your spousal benefit.

Both spouses cannot claim a spousal benefit off the other's record at the same time.

Here's a case of people taking creative claiming strategies a step too far. If Jack can claim spousal benefits off Jill's record, why can't Jill also claim spousal benefits off Jack's record while they each earn delayed credits to age 70? The answer is that in order for Jack to claim a spousal benefit off Jill's record, Jill must file for her own benefit. Remember, this is a basic rule for spousal benefits: the spouse on whose record the spousal benefit is being paid must have filed for benefits. Once Jill files for her own benefit, she can't restrict her application to her spousal benefit. If both spouses have relatively high earnings records, the solution is for Jill to file and suspend while Jack restricts his application to his spousal benefit. Or vice versa. An important purpose of the Savvy Social Security Spousal Planning Calculator is to help married couples decide which spouse should claim the spousal benefit and when.

Maximizing spousal benefits through innovative claiming strategies can help baby boomers gain an edge in retirement planning. Just make sure you understand the rules.

Elaine Floyd, CFP®, is Director of Retirement and Life Planning for Horseshmouth, LLC, where she focuses on helping people understand the practical and technical aspects of retirement income planning. Horseshmouth is an independent organization providing unique, unbiased insight into the most critical issues facing financial advisors and their clients. Horseshmouth was founded in 1996 and is located in New York City.

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