



# North American Management

## Financial Planning Note

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### **New Social Security Rules**

It was too good to last. With the 2015 passage of the Congressional budget amendment, several advantageous options for claiming Social Security benefits as a couple are no longer available.

#### **Out with the Old...**

Until this recent amendment, one of the most popular benefit claiming strategies for married couples was something known as “file and suspend.” This strategy allowed one member of the couple to file for benefits at his or her full retirement age (FRA) and then immediately suspend them. This action helped the couple in two ways. First, by not taking the monthly check, the filer could continue to accrue Social Security benefits up until age 70. Each year the filer delayed actually taking the benefit, the amount of the future benefit increased by 8%.

The second advantage to the file and suspend strategy was the use of a “restricted application.” When one spouse would file and suspend, the other half of the married couple could then file a restricted claim for spousal benefits on the filer’s record. This restricted application allowed his or her own benefits to also continue to grow until age 70. The end result of this popular strategy was that, between FRA and age 70, both members of a couple got to see their future benefit amounts grow by 8%, while collecting a spousal benefit (usually ½ of the filer’s full benefit) for a few years.

#### **In with the New...**

So what changed? Under the new rules, if someone suspends their benefits, no one can claim any benefits on that record. There is no longer any incentive to use the file and suspend strategy. Once you file, you get your benefits and your spouse can get the spousal benefits. If you suspend your benefits to get the larger amount at age 70, your spouse can no longer claim spousal benefits.

And no more filing of a restricted application. If you file for spousal benefits, Social Security is going to pay you the higher of the spousal benefit or your own benefit. No more deferring your own benefit until age 70 while you take the monthly spousal check.

## **Some Things Stay the Same...**

But what if you were in the midst of implementing that file and suspend strategy or the restricted application? Good news. Social Security agreed to grandfather people of a certain age under the old rules. If you were age 62 or older by the end of 2015 and had filed and suspended or filed a restricted application, you can continue to use these advantageous strategies. However, for those who have not yet filed for benefits, these grandfather provisions are only good for so long! If you haven't begun to implement the file and suspend or the restricted application, but are "old" enough to do so, you must do so by May 1, 2016.

*Also note that, for those who may be planning to file for divorced spouse benefits, there has not been specific guidance yet from the Social Security Administration. It is unclear if the grandfather provisions around age and filing by May 1, 2016 will apply to filing for spousal benefits on a former spouse's record.*

Despite these changes, the best strategy for many clients is this: wait to collect benefits as long as the benefits are still growing. If you can defer taking the benefits until age 70, do so. If your own benefit will be greater at age 70 than the spousal benefit, defer taking any benefits until age 70. And if you fall in that small group of people age 62 and over who haven't done anything about Social Security, evaluate your options under the grandfather provision by May 1, 2016. You are the lucky few who can still optimize your Social Security benefits as a married couple.

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