

Chart Your Course

Navigating the myriad Social Security options

At first glance, Social Security is a simple program: You work for several decades, retire and then you receive a pension from the government. While this is mostly true, there are decisions to be made along the way that, if done correctly, may significantly increase the dollars you receive. To be eligible for Social Security you must have a record of working—and paying Social Security tax—for 40 calendar quarters, a 10-year work history. Once you have qualified and are ready to retire, you have some decisions to make.

Below we review your claiming options, claiming status and touch on maximization strategies. Finally, we'll review the Social Security changes codified in the Bipartisan Budget Act of 2015. The brevity of this overview precludes a detailed analysis of all the options and decisions you should consider, but does provide a broad outline of many choices you will face.

Claiming options

Claiming options relate to when you choose to begin receiving Social Security benefits: before full retirement age, at full retirement age or after full retirement age. If you choose to receive the benefit as early as possible, at age 62, your monthly benefit will be about 70 percent of what it would have been at full retirement age. You will also find your benefit reduced if you are still earning more than \$15,720 a year in income. This earnings test stops at full retirement age. Note that full retirement age is based on your birth year. The age is 66 for those born before 1954 and gradually scales up to age 67 for those born after 1960. For every year you delay starting Social Security after full retirement age, your base benefit increases by 8 percent; if you wait until age 70—the latest start date allowed—your base benefit will be approximately 30 percent greater than it would have been at full retirement age.

Claiming status

Claiming status refers to your marital status: single, married, divorced, survivor or divorced survivor. Those who are single can only claim a benefit based on their own Social Security record, while those who are married may have the option to

claim based on their spouse's record. In general, if you wait until full retirement age, the spousal benefit is equal to one half of what your spouse will receive at their full retirement age. If you are divorced, you may also have the option of claiming a benefit based on your divorced spouse's Social Security record. A widow or widower has the option to claim based on their deceased spouse's record and may be able to claim this benefit as early as age 60. Finally, if you were married for at least 10 years prior to

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divorce, you can file for a benefit based on your deceased divorced spouse's record. Note that any single individual can only use one of these strategies—typically the one that pays the individual the greatest monthly benefit.

Vanishing strategies

Given the number of claiming options and various claiming statuses, you have several choices to make. Navigating these choices correctly—and being prescient about your life expectancy—can have a huge impact on the total Social Security dollars you

receive. There are a few additional strategies to consider that will work for some but are being phased out for most of us as part of the Bipartisan Budget Act of 2015.

For married couples the file and suspend option is helpful. In this case, the higher-earning spouse files for their Social Security benefit at full retirement age and immediately suspends receipt of the benefit. This allows their benefit to continue to grow at 8 percent per year but, importantly, allows the spouse to claim a spousal benefit at full retirement age, while allowing their own benefit to also continue growing at 8 percent per year. The restricted application strategy, available if both spouses have reached full retirement age, allows you to restrict your application for just a spousal benefit; your benefit continues to grow at 8 percent per annum. This strategy can also be used for divorced, survivor and divorced survivors.

The phase out of file and suspend and restricted application strategies is based on a participant's age. Those born prior to May 2, 1950 have until April 29, 2016 to implement the file and suspend strategy. Even if your spouse is not full retirement age—but you are—you must implement the strategy prior to April 29, 2016. If you were born prior to January 2, 1954, you retain the option to restrict your application to just a spousal benefit. This allows your benefit to grow while receiving just a spousal benefit. For those born on or after January 2, 1954, the file and suspend and restricted application strategies are no longer available, except for those who are surviving spouses. A claim for a benefit will be deemed as a claim for both you and your applicable spousal benefit with no delaying options.

These changes will affect all of us in one way or another. It is crucial you understand your options so you can make the best decision for your situation. **UB**



Devin Pope is a certified financial planner with Albion Financial Group—a fee only wealth management company.