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The Savvy Investor
Social Security Basics and Changes
Effective May, 2016

What Happened?

Major changes were made November 2, 2015, with the signing of the budget bill, reducing or eliminating the strategies available to maximize your Social Security benefits.

What Doesn't Change

- You can claim benefits as early as Age 62, before your Full Retirement Age of 66, but your benefits are reduced approximately 25%, for life!
- If you delay claiming Social Security benefits, they increase by 8% a year for four years from age 66 to age 70.
- **File and suspend** is *not* being eliminated; but after May 1, 2016, it can no longer be used to trigger a **spousal benefit** or child's benefit.
- Anyone collecting **spousal benefits** before May 1, 2016 based on the earnings record of someone who has file and suspended their benefit will be permitted to continue receiving those benefits.
- **Survivor benefits** are completely unchanged.

Spousal Benefits

With **spousal benefits**, you file a "**restricted application**" and collect *up to* 50% of your spouse's Full Retirement Age (FRA) benefit. **To be**

eligible for spousal benefits, your spouse must either be collecting Social Security or have "filed and suspended" his benefits. (See next section for file and suspend.)

Under the new rules, anyone who is 62 or older by the end of 2015, retains the right to claim **spousal benefits** when they turn 66. Younger people will no longer be able to claim spousal benefits when they turn 66.

If younger than 62 by the end of 2015 and you file for Social Security benefits, you will be required to collect the highest benefit to which you are entitled, either on your own earnings record or as a spouse.

This means that if you were born in 1954 or later, you will *not* be able to file what's called a **restricted application** and collect only a **spousal benefit** while letting your own retirement benefits increase by 8% a year for four years from age 66 to age 70.

File and Suspend

File and suspend is *not* being eliminated, but after May 1, 2016, it can no longer be used to trigger a spousal benefit or child's benefit.

As with current rules, if you file and suspend, your spouse can receive **spousal benefits** when they turn Full Retirement Age (FRA, 66 or 67) while their own retirement benefits continue to grow by

8% per year up to age 70. **But to file and suspend and trigger spousal benefits, you must file and suspend before May 1, 2016.**

After April 30, 2016, filing and suspending will no longer allow a spouse or minor dependent child to claim benefits off the suspender's earnings record. **The filer will have to be collecting Social Security in order for his or her spouse or minor dependent children to be eligible for spousal or dependent benefits.**

Risk in Waiting

When you file and suspend, you are betting on longevity. If you file and suspend at age 66 or 67 and die at 69, you will have missed out on two or three years of Social Security benefits. You should probably only file and suspend if you are healthy.

Bottom Line

- If you were considering filing and suspending your Social Security benefits in order to trigger spousal benefits, you needed to complete your file and suspend application before May 1, 2016. After

May 1, 2016, you cannot file and suspend to trigger spousal benefits for your spouse.

- If you wait until at least your full retirement age (66 or 67) before starting to collect Social Security benefits you increase the number of options available to you to maximize your lifetime benefits. But this alone should not determine the best age to claim benefits.
- Just as before, it often makes sense for the spouse with the higher benefit to delay until age 70. That results in a higher benefit as long as either spouse is still living. It will also maximize the larger of the two survivor benefits they get, since that will be the amount the survivor has to live on.
- For married couples especially, it is best in most cases for the higher earning spouse to delay benefits if possible, up to age 70. This locks in the maximum retirement benefit as well as the largest survivor benefit should he die first.

We specialize in retirement planning