



Your Social Security Options are Changing

February 2016

The Bipartisan Budget Act of 2015 phases out Social Security claiming options known as “file-and-suspend” and “restricted applications.” As you may know, all individuals who have qualified for Social Security retirement benefits have the option of delaying receipt of their benefits until age 70, earning an 8 percent increase in their monthly benefit for each year of delay past their full retirement age. While this will still be an option, the changes will affect benefits that can be received while an individual delays receipt of their Social Security retirement benefit. If an individual chooses to suspend their benefits, all benefits payable on their record will be suspended, including spousal benefits.

File-and-Suspend

Currently, a married person can file for benefits at their full retirement age and then immediately suspend receipt of those benefits in order to receive delayed retirement credits. Filing for benefits triggers the ability of the applicant’s spouse to file for spousal benefits that are equal to 50 percent of the worker’s full retirement age benefit. Thus, the couple can still receive some benefits while delaying to earn a higher benefit in the future. The file-and-suspend option is still available until April 30, 2016 for those who were born before April 30, 1950. People currently using this strategy will be grandfathered in until age 70.

Restricted Application

Currently, individuals who are eligible for both a spousal benefit based on the spouse’s earnings history and a benefit based on their own earnings history can choose to receive only the spousal benefit upon reaching full retirement age by filing a restricted application. This allows the individual to earn delayed retirement credits on her or his own benefit. The individual can then switch over to an increased benefit at age 70 if it is larger than the spousal benefit. The restricted application option will still be available to individuals born between May 1, 1950 and December, 31 1953. It is available from full retirement age through age 70.

Prior to these changes, the decision to delay benefits to earn delayed retirement credits was easier to make because the ability of one spouse to collect spousal benefits allowed a couple to receive some benefits prior to age 70. Once these changes are implemented, delaying benefits still may be an attractive option but needs to be considered carefully. For a married couple it will likely continue to make sense for at least one spouse to delay benefits because when one spouse dies the surviving spouse will receive the larger of each spouse’s benefit. Ultimately, the economics of the decision to delay or not, however, will be determined by how long someone lives to collect benefits.



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