



While “File & Suspending” and “Filing a Restricted Application” may appear to be the same strategy on the surface, they are actually two separate approaches used to maximize Social Security benefits. Below is a brief summary of each strategy and how the new legislation may impact you or your family:

File & Suspend

Current Law: If you are full retirement age (Age 66), you have the option to file for your retirement benefit and immediately suspend collecting your personal benefit. This immediate suspension allows your spouse to claim benefits based on your earnings while allowing your personal retirement benefit to grow by 8% annually, until Age 70.

Typical Strategy:

File & Suspender: Files but does not claim benefit until lifetime benefit is 32% higher at age 70

Spouse: Claims 50% of File & Suspender's benefit at Age 66

New Legislation: A subsection in the proposed law stipulates that an individual who suspends their benefits also suspends all benefits based on the earnings of that individual. This effectively closes the loophole of going through a formalized filing process to allow your spouse to claim the spousal benefits on your record.

The opportunity to File and Suspend Strategy will cease on April 30, 2016.

What Can I Do?

- Those who filed and are currently using this strategy are grandfathered and will not be affected.
- Those who are 66 (or older) or will be 66 within the next 6 months may want to consider File and Suspending their benefits if they have not done so already.
- Those who will not yet be Full Retirement age will want to reevaluate their Social Security strategy if it included Filing and Suspending.

Restricted Application

Current Law: If you've reached full retirement age, you have the option of claiming either your own benefit or your spouses (*if* they have already filed for benefits). By choosing to file a Restricted Application for spousal benefits only, you are able to be “paid now and paid more later” by collecting spousal benefits while your personal benefit grows 8% annually until 70. This assumes your spouse is already collecting their own personal benefit.

If you are below full retirement age (66), Social Security will pay the higher of your personal or spousal benefit, but you do not have a choice to limit your claim to spousal benefits.

Typical Strategy:

Spouse: Has already filed and is collecting on their own benefit

Restricted Application: Files for spousal benefit at Full Retirement Age (this amounts to 50% of Spouse's benefit at age 66) but does not claim own benefit until age 70 when lifetime benefit is 32% higher.

New Legislation: Those born after 1953 will not have the option to file a Restricted Application for spousal benefits only, even after reaching full retirement age. Those who are born in 1953 or before are grandfathered and will be able to file a Restricted Benefit once they reach full retirement age. However, with the proposed elimination of the File & Suspend strategy, one spouse must be collecting benefits on their own record to allow for spousal benefits.

What Can I Do?

- Those born before 1954 will have the Restricted Application available, but may need to reevaluate their Social Security strategy as one individual will need to be claiming benefits on their own record.
- Those born after 1953 will want to reevaluate their Social Security strategy if it included filing a Restricted Application.

Divorced Benefits

- The Restricted Application rules above will also apply to divorced spouses. Those born after 1953 will be forced to take the higher of the two benefits (spousal or personal).
- Additional direction on the impact of an ex-spouse suspending their benefits is expected to be released. As it is written, a suspension in benefits by an ex-spouse could suspend your benefits. Industry experts expect this to be resolved before the new effective date if this is the case.

Survivor Benefits

- Generally, widows and widowers will not be affected by the new law.
- Individuals eligible for both survivor and their own individual benefits will have several strategies available when evaluating how to take Social Security.

Disclaimer:

Each decision to claim (or delay) Social Security is different and requires careful evaluation of an individual's financial picture. We strongly recommend all individuals currently receiving or deferring their Social Security payments to speak with their relationship manager or a Social Security Representative to ensure their current strategy is not affected.