

## SOCIAL SECURITY CLAIMING STRATEGIES

*What can married couples do to increase joint lifetime benefits?*

Presented by Glazer Financial Network

**What is your “magic number”?** Roughly half of retirees claim Social Security benefits at age 62, as soon as they become eligible. Some people delay benefits and postpone using their retirement savings as an income source. Others apply out of necessity; their financial situation leaves them little choice.<sup>1</sup>

These factors aside, what if you have a choice? If you wait a few years to apply for Social Security, how much more income might you realize?

**Could you wait until age 66?** The Social Security Administration has made 66 the “full” retirement age for people born during 1943-1954. If you were born in this period and you apply for Social Security at age 62, you will reduce your retirement benefit by 25% and your spouse’s by 30%.<sup>2,3</sup>

That alone might convince you to wait. In addition, there are claiming strategies that may bring spouses much greater cumulative lifetime Social Security income, and they depend on one spouse waiting until age 66 to apply for benefits.

**That may be the time for a file & suspend strategy.** This tactic positions a married couple to receive maximum Social Security benefits at age 70, with one spouse being able to claim some benefits at age 66.

An example: Terry was born in 1947 and Teresa was born in 1951, so full retirement age is 66 for both of them. Terry files his claim for Social Security benefits at age 66, but then he elects to suspend his \$2,000 monthly retirement benefit. Doing that clears the way for Teresa to get a \$1,000 monthly spousal benefit when she reaches 66; she can do this by filing a restricted claim for spousal benefits only at that time.<sup>4</sup>

So while some spousal benefits are rolling in, Terry and Teresa have both elected to put off receiving their own Social Security benefits until age 70. That allows each of them to rack up delayed retirement credits (8% annually) between 66-70. So when Terry turns 70, he is eligible to collect an enhanced benefit: \$2,640 per month instead of the \$2,000 per month he would have received at age 66. At 70, Teresa can switch from receiving the \$1,000 monthly spousal benefit to collecting her enhanced benefits.<sup>1,4</sup>

**Variations on file & suspend.** There are other ways to do this. For example, 66-year-old Terry could initially apply for Teresa’s spousal benefits as Teresa applies for her own benefits at 62. Terry thereby gets \$800 a month while Teresa receives her own reduced benefit of \$1,200 a month. At 70, Terry foregoes getting the spousal benefit and switches to receiving his own enhanced benefit (\$2,640 a month thanks to those delayed retirement credits). If Terry lives to age 83 and Teresa lives to age 90, their

total lifetime Social Security benefits will be \$1,043,520 under this strategy, as opposed to \$840,600 if they each apply for benefits when they turn 62.<sup>1</sup>

Widows can also use a variant on the file-and-suspend approach. As an example, Fran is set to receive \$1,400 monthly from Social Security at age 66. Her husband dies when she is 60. She can get a widow's benefit of \$1,430 at 60, but instead she claims her own reduced benefit of \$1,050 at age 62, then switches to a widow's benefit of \$2,000 at 66 (her husband would have received \$2,000 monthly at age 66). By doing this, she positions herself to collect \$112,000 more in lifetime benefits.<sup>1</sup>

Postponement can also be used to enlarge survivor benefits. Let's go back to Terry and Teresa: if they each start getting Social Security at 62, Teresa is looking at a \$1,650 monthly survivor benefit if Bob passes away. But if Terry waits until 66 to claim his benefits, Teresa's monthly survivor benefit would be \$2,640.<sup>1</sup>

**Details to note.** The file-and-suspend strategy is only allowable if one spouse has reached full retirement age. In order for you to claim a spousal benefit, your husband or wife has to be getting Social Security benefits. Applying for Social Security before full retirement age with the idea that your spouse can collect spousal benefits at 62 has a drawback: you are reducing both of your lifetime retirement benefits.<sup>5</sup>

Only 29% of respondents in a 2012 AARP survey knew that waiting until age 70 to apply for Social Security would bring them their maximum monthly benefit. Congratulate yourself for being in that group, and consider the long-range financial merits of claiming your benefits years after age 62.<sup>6</sup>

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#### **Citations.**

1 - [www.smartmoney.com/retirement/planning/strategies-to-max-out-social-security-benefits-1329243329517/](http://www.smartmoney.com/retirement/planning/strategies-to-max-out-social-security-benefits-1329243329517/) [3/2/12]

2 - [www.ssa.gov/retire2/retirechart.htm](http://www.ssa.gov/retire2/retirechart.htm) [11/15/12]

3 - [www.ssa.gov/retire2/agereduction.htm](http://www.ssa.gov/retire2/agereduction.htm) [11/15/12]

4 - [www.investmentnews.com/article/20121105/BLOG05/121109984](http://www.investmentnews.com/article/20121105/BLOG05/121109984) [11/5/12]

5 - [www.nextavenue.org/article/2012-08/how-avoid-making-social-security-mistakes](http://www.nextavenue.org/article/2012-08/how-avoid-making-social-security-mistakes) [8/6/12]

6 - [www.aarp.org/about-aarp/press-center/info-02-2012/new-aarp-survey-shows-many-unaware-of-social-security-claiming-strategies.html](http://www.aarp.org/about-aarp/press-center/info-02-2012/new-aarp-survey-shows-many-unaware-of-social-security-claiming-strategies.html) [2/29/12]