

# Budget Bill Changes Social Security Claiming Strategies

---

By: John S. King

Under the Bipartisan Balanced Budget Act of 2015 (the "Budget Bill") which was signed into law on November 2, 2015, a popular strategy for claiming Social Security benefits known as "file and suspend" and "restricted application" will no longer be available to retirees who reach age 66 after May 1, 2016.

Using the file and suspend strategy, one spouse (usually the higher earner) files for Social Security benefits at full retirement age (currently age 66) but then immediately suspends the receipt of his or her benefits. The other spouse, at his or her full retirement age, files a "restricted application" and claims only a "spousal benefit" which is typically equal to ½ of the other spouse's regular benefit. The higher earning spouse's benefit grows by 8% per year to age 70. Likewise, because the lower earning spouse is not collecting benefits based on his or her own work history, his or her benefits continue to grow by 8% per year to age 70 – without any offset for the spousal benefit received.

This claiming strategy allows one spouse to collect a benefit based on the other's work history while both of their individual benefits (based on their own work histories) increase by as much as 32% (8% per year from age 66 to 70). Consider an example of this claiming strategy:

	<u>Benefit at 66</u>	<u>Benefit at 70</u>
Higher earning spouse	\$2,800 per month	\$3,700 per month
Lower earning spouse	\$2,200 per month	\$2,900 per month
Spousal Benefit at 66	\$1,400 per month	(\$67,200 over 4 years)

During the 4 years from age 66 to 70, the lower earning spouse collects the spousal benefit of \$1,400 per month or \$16,800 per year helping to offset the deferral of the age 66 retirement benefit otherwise available. Over 4 years, the benefit received by the lower earning spouse totals around \$67,200. By deferring their regular Social Security payments from age 66 to 70, the couple's combined Social Security income increases from \$5,000 per month (\$60,000 per year) to \$6,600 per month (\$79,200 per year).

The elimination of this claiming strategy will be fully effective on May 2, 2016. ***In the meantime, if one spouse reaches age 66 by May 1, 2016 and the other will be 62 by the end of 2015, they may still utilize the technique and should consider whether it makes sense for them.***

Initial reports about the Budget Bill indicated that the file and suspend strategy would be completely eliminated – even for those individuals who had previously implemented the technique. However, prior to passage, the Bill was modified so that individuals who have

already implemented the strategy (or who can implement it by May 1) may continue without change.

It should be noted that the Budget Bill did not change the 8% per year increase in benefits deferred from full retirement age to age 70. For many individuals, delaying the receipt of Social Security benefits for as long as possible (but not beyond age 70) can have a dramatic impact on the amount of Social Security income received over a lifetime.

The legal and financial decisions made at or near retirement can be complex and may have a long-lasting impact. If you have any questions about this or any other retirement or estate planning issues, please feel free to contact the attorney you typically work with in our office or any of the members of our Estate Planning and Wealth Preservation Practice Group.

Members of the Estate Planning and Wealth Preservation Practice Group

Richard D. Boyle	315-477-6283	rboyle@scolaro.com
Carol A. Christiansen	315-477-6278	cchristiansen@scolaro.com
Jeffrey M. Fetter	315-477-6256	jfetter@scolaro.com
Anthony J. Grizanti	315-477-6265	agrizanti@scolaro.com
John S. King	315-477-6296	jking@scolaro.com
Shane M. McCrohan	315-477-6249	smccrohan@scolaro.com
Stewart M. McGough	315-477-6225	smcgough@scolaro.com
Steven A. Walker	315-477-6298	swalker@scolaro.com