

Add thousands to retirement income by acting now!

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Disclosure: *This article applies to people who were born on or before April 30th 1950. If you are not one of those people but know someone who is, you must share this article with them so they can possibly use this strategy to save thousands of dollars in additional Social Security benefits. Time is critical and they must act before April 29th 2016 or risk losing this benefit for ever.*

In October of 2015 congress passed the bipartisan budget act of 2015 that puts an end to two Social Security filling strategies that couples have used to add thousands of dollars to their retirement income.

The new legislation is cancelling 'file and suspend' and 'restricted application' strategies for maximizing Social Security benefits for seniors. While you might not have heard of these strategies before, it has become imperative that you check into them now as they are scheduled to be unavailable effective April 29th 2016.

For the purpose of this blog we are going to discuss 'file & suspend' Strategy in detail. Let me explain how this strategy used to work and can still work for you if you take action before April 29th 2016...

File & Suspend Strategy

File and suspend allows someone, upon reaching full retirement age, to file for Social Security benefits and then immediately suspend them. Since you have filed for the Social Security benefit, means that your spouse is now eligible to receive spousal benefits. The fact that you suspended your benefits immediately after filing (without receiving any benefit), means that your benefits continue to grow at the rate of 8% per year (delayed retirement credit) till age 70 or till you choose to collect them.

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Example:

Jerry (age 66) & Gina (age 66) have been married for 30 years, where Jerry is the primary bread winner and Gina is a stay home mom. Jerry is eligible for Social Security benefits of \$2,000 per month but chooses to delay collecting his benefits till age 70 when his benefits will grow to \$2,640 / per month (8% * number of years past 66 * \$2000).

Gina has no benefits of her own, but is eligible to collect spousal benefits of \$1000 (50 % of Jerry's benefit) at her age of 66. But in order for Gina to start collecting this benefit at age 66 Jerry would have to file for Social Security benefits himself.

Using this strategy, Jerry can file and suspend his Social Security benefits at age 66. By doing so ...

- Jerry's benefits continue to grow at 8% per year till he decides to collect or till age 70
- Gina can start collecting \$1000 / month for the next four years – A \$48,000 additional income
- Jerry has the option of **Lump sum Retroactive Reinstatement benefit** (we will talk more about this later in this article)

Key points to note here:

1. **If Gina was younger than Jerry**, she does not have to wait till her turning 66 to start collecting spousal benefit. She can collect spousal benefit any time after she turns 62 as long as her spouse has turned 66 and has filed for benefits. Caution: If she collects before she turns 66, her spousal benefits would be reduced based on her age.
2. **If Gina has her own social security benefits** she has accrued from work (is not a stay home mom) , she can continue to delay collecting her own benefits and have them grow them at 8% per year till she starts collecting them or till she turn age 70. While she delays her own benefit, she can collect spousal benefits.
3. **Gina does not have to start collecting benefits the day Jerry applies** for 'File & Suspend'. She can wait till she reaches full retirement age. The requirement is that when she chooses to start spousal benefit, Jerry should have done the File & suspend before that.

What is not changing with 'File & Suspend'

- If you have already used the strategy of 'file & suspend' then nothing will change for you.
- If your spouse has used the strategy of 'file and suspend' and you have not yet started taking your spousal benefits, nothing will change for you either. You can start taking your benefits when you are ready to do so.
- If you choose to retire at full retirement age and collect social security and your spouse chooses to collect spousal benefits based on the fact that you are collecting your benefits, nothing changes for both of you either.

What is changing with 'File & Suspend'

- If you want to grow your benefits till age 70 but would like your spouse to start collecting spousal benefits earlier, you can only do that if you *'file and suspend'* before or on April 29th 2016.

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Bottom line –

Spousal benefit is not going away. What is going to change is the option that your spouse can collect spousal benefit while you choose not to collect your own benefit till a later date.

Who can take advantage of this strategy before the April 29th 2016 Deadline?

If you were born on or before April 30th 1950, and you have not yet filed for social security benefits, you can consider using the strategy of *'File & suspend'* as long as you apply for it before or on April 29th 2016.

After April 29th 2016, you will not be able to file and suspend your benefits anymore and your spouse would have to wait to collect spousal benefits till the time you start collecting your own benefits.

If you were born after April 30th 1950, you have no choice as this strategy is no longer going to be available to you and your spouse due to the legislation passed on November 2015.

Lump sum Retroactive Reinstatement benefit

Most people who use the strategy of 'File and suspend' to allow their spouse to start taking spousal benefits while their own benefits grows 8 % each year till age 70.

But another big hidden benefit of 'file and suspend strategy' is Lump sum Retroactive Reinstatement benefit. To explain this benefit let me show you another example.

Example:

Jerry choose to work till age 70 and not collect his own social security benefits at full retirement age of 66.

If Jerry filed and suspended his social security benefits at age 66:

He can change his mind at any time between age 66 & age 70 about taking his social security benefits. So let's say at age 69 Jerry finds out he is terminally ill. Since Jerry has filed and suspended his social security benefits, he can choose to collect all of his benefits since age 66 in a lump sum at age 69.

Using number from the previous example:

Jerry Monthly social security benefit at age 66 = **\$2,000**

If Jerry choose to change his mind at age 69, he will collect = $(\$2,000 * 36) =$ **\$72,000** as lump sum payment for benefits not collected

If Jerry did not file and suspend his social security benefits at age 66:

He can still start collecting benefits going forward but will not receiving any payment for the period when benefits were suspended.

Of course all of this goes away come April 30'Th 2016.

Thus if you are going to be age 66 or older on April 30'Th 2016, and have not yet started collecting social security benefits, you must consider this strategy and apply for file and suspend before April 29'th 2016.

If you need any help understanding this strategy or need help deciding if this is the right choice for you, please do not hesitate to call me or any of my team members. We will be more than happy to walk you through this strategy and advice on your specific needs.

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