

Rules Limit Popular Social Security Strategies



Bipartisan Budget Act, will affect the amount of Social Security benefits many Americans will be eligible to receive in the future. Below is a brief summary of the changes made. As each situation is unique, we highly recommend that you work with your Raymond James financial advisor to understand how these changes may affect you.



Sweet Financial
services

1300 S. Prairie Avenue | Fairmont, MN 56031
401 2nd St | Jackson, MN 56143
800-658-2507 • www.sweetfinancial.com



Bipartisan Budget Act, will affect the amount of Social Security benefits many Americans will be eligible to receive in the future. Below is a brief summary of the changes made. As each situation is unique, we highly recommend that you work with your Raymond James financial advisor to understand how these changes may affect you.

Phase Out of the “File and Suspend” Strategy: Prior to the rule changes, it was possible for one spouse who had reached full retirement age (FRA) to file for Social Security benefits and then immediately suspend the payment of those benefits. Because Social Security rules state spousal (or minor dependent) benefits can only be paid off of a worker’s record who has filed for benefits, this technique allowed the suspending spouse to file without having to receive their benefits - allowing the benefits to continue to grow via delayed retirement credits until age 70. As of May 2, 2016, “filing and suspending” will no longer allow a spouse (or minor dependent) to claim benefits off the suspending spouse’s earnings record. The person who is filing will actually have to begin taking benefits in order for his or her spouse or dependent children to be eligible for spousal or dependent benefits.

Changes to the “Restricted Application” Strategy: Another technique often referred to as “restricted application” is the option to collect a full spousal benefit at full retirement age while leaving their individual benefit to continue earning delayed retirement credits until age 70. Under the new rules, anyone who has not attained the age of 62 at the end of 2015 will not be permitted to collect spousal benefits separate from their own worker’s benefit. If they are entitled to both a retirement benefit on their own earnings record and a spousal benefit,



they will be deemed to file for both benefits at the same time and receive the higher of the two amounts. They will no longer be able to split the benefits and receive spousal benefits only while their own worker's benefit grows separately.

How Do the Law Changes Affect You?

- If you were born May 1, 1950 or earlier - you are still eligible to file and suspend. If you filed and suspended now, anyone collecting a benefit based on your earnings record will be permitted to continue receiving those benefits.
- If you have reached the age of 62 by the end of 2015 - you are still eligible to file a restricted application.

Depending on your age and that of your spouse, these changes can make it more difficult than ever to decide what filing method is best for you and your family. In addition, if you were planning on utilizing a spousal filing strategy and will now not be able to do so, you will need to consider other alternatives for replacing the lost income during retirement and the overall implications for your retirement plan.