

POPULAR SOCIAL SECURITY FILING STRATEGIES ENDING

The recently enacted Bipartisan Budget Act of 2015 puts an end to popular filing strategies used to maximize Social Security benefits, commonly referred to as “File-and-Suspend” and “Restricted Application.” Even if you weren’t previously aware of these strategies, with the passage of this legislation, you may still have time to take advantage of them before the new law takes effect.

File-And-Suspend

File and Suspend originally allowed someone, upon reaching full retirement age, to file for Social Security retirement benefits and then immediately suspend them. By filing for benefits, spousal benefits became available and the suspension meant that the original filer could continue to earn delayed retirement credits of 8% per year while they waited to actually receive their own benefits. Since there are no delayed credits for spousal benefits, this technique was commonly used by married couples to maximize their lifetime Social Security earnings.

Under the new regulations, when an individual suspends his or her benefits, he or she will also suspend all benefits payable to other individuals based on his earnings record including spousal benefits. This means the previous strategy for maximizing a couple’s earnings is no longer feasible.

The final version of the Bipartisan Budget Act of 2015 will apply to anyone who requests a suspension of benefits after April 30, 2016 and will not be applied retroactively. This means that anyone born April 30, 1950 or earlier, may still have the option of utilizing the File-And-Suspend strategy prior to next year’s deadline.

Claiming Deadlines for File-and-Suspend and Restricted Applications

	Currently Married		Unmarried Divorced Spouse		Parents with Dependent or Disabled Children	Surviving Spouse	Individual
	File and Suspend	Restricted Application	File and Suspend	Restricted Application	File and Suspend		File and Suspend
Born April 30, 1950 or earlier (age 65 1/2 or older by Oct 30, 2015)	Still available at full retirement age. Must file by April 30, 2016	Still available at full retirement age if otherwise eligible for spousal benefits	Not applicable	Still available at full retirement age as long as former spouse >age 62	Still available at full retirement age. Must file by April 30, 2016	New rules not applicable. Can continue to choose timing of when to start survivor and individual retirement benefits.	Must be full retirement age and complete file and suspend by April 30, 2016 for future reinstatement
Born 1953 or earlier (age 62 or older in 2015)	not eligible				Not eligible, but can still Start-Stop-Start		No future lump sum reinstatement
Born 1954 or later (under age 62 in 2015)	not eligible	not eligible					

Changes to the Restricted Application

A Restricted Application allowed someone to receive spousal benefits while delaying their own individual retirement benefit. This strategy was relevant for dual-income couples who each had enough in earnings to be eligible for their own Social Security retirement benefit and did not apply to either single income households or individuals.

Under the rules in Section 831 of the Act, when a person now files for benefits, they will be expected to file for both individual and spousal benefits. According to the standard rules of Social Security, anytime someone applies for multiple benefits, they simply receive whichever provides the biggest benefit.

The effective date for the new rule is slightly different for Restricted Application. Anyone born in 1953 or earlier (turning 62 or older this year) will be grandfathered under the current rules. This means if you're already receiving a spousal benefit under a restricted application, you may continue to do so. If you're not yet receiving a spousal benefit but had planned to do so, you can still do so even up to full retirement age.

Other impacts

These changes also apply to divorced spouses where filing a restricted application was an effective strategy to maximize retirement benefits. Those born in 1953 or earlier will be grandfathered with anyone born afterward receiving only the higher of their spousal or individual benefits.

Parents with dependent or disabled children may want to review their strategy for receiving benefits as they will now have to decide when to start all benefits as file-and-suspend will no longer be an option.

This legislation does not impact widow benefits. Widows will continue to have the opportunity to restrict an application to only widow or retirement benefits and later switch benefits.

Still confused?

If you'd like to know how this impacts your benefits and which Social Security strategy is right for you, your Janney Financial Advisor can run a personalized Social Security optimization for you that will include all of these recent changes.

The concepts illustrated here have legal, accounting and tax implications. Neither Janney Montgomery Scott LLC nor its Financial Advisors give tax, legal, or accounting advice. Please consult with the appropriate professional for advice concerning your particular circumstances.