New Social Security rules

A new law means that two claiming strategies will be off the table in the coming months.

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The recent budget agreement did more than authorize the federal government to engage in additional borrowing, it also changed the rules for claiming Social Security. Going forward, two claiming strategies that had given some couples the potential for higher lifetime benefits will no longer be available.*

Closing the door on two strategies

Social Security strategies are built around the fact that you can start to claim benefits as early as age 62, but if you defer, the benefit can grow—up to age 70. Each year you delay Social Security in that time frame, your monthly benefit will grow by as much as 8%. That growth adds up—a monthly benefit could be 75% more if benefits start at age 70 instead of age 62.

In addition to the basic question of timing, couples have additional choices, because an individual is entitled to his or her own benefit or a spousal benefit.

In 2000, Social Security introduced the concept of voluntary suspension: even after you claim benefits, at or after reaching full retirement age (FRA) you can elect to stop and earn the deferral credits—increasing your future benefit.

What do you need to know?

1. You must turn 62 by the end of 2015 to file a "restricted" application.
2. To claim from your spouse's suspended benefit, your spouse must "file and suspend" within 180 days from Nov. 2.
3. If you are already receiving benefits, these changes will likely not affect you.
4. If you haven't claimed Social Security yet, you may want to reconsider your strategy in light of these changes.

Voluntary suspension led to a number of strategies, two of which will be unavailable in the wake of the new law:

File and suspend

The strategy: Typically, in "file and suspend," one member of a couple would file and claim benefits—allowing his or her husband or wife to begin collecting spousal benefits—and then suspend his or her own benefit—allowing that future benefit to increase.

The change: Under the new rules, when an individual suspends his or her own benefits, not only will all benefits payable to that individual be suspended, but all benefits payable on his or her earnings record payable to *other individuals* will also be suspended.

What happens: Those who are receiving benefits now under this strategy will continue to receive them. The new rules limiting suspended benefits go into effect 180 days after the budget agreement was signed into law on November 2, 2015. Once that deadline passes, no one will be able to elect this option.

Restricted spousal benefits (sometimes referred to as "claim now, claim more later")

The strategy: At or after an individual's official FRA, a person could file a "restricted" application for "just" spousal benefits, while allowing his or her own future retirement benefit to grow.

The change: Social Security will no longer allow certain individuals to restrict an application to spousal benefits only; the individual will be required to file and claim all eligible benefits.

What happens: People age 62 or older at the end of 2015 will continue to have the option of restricting an application to spousal benefits only. People turning 62 in 2016 or later will have to claim all their benefits upon filing.

These two strategies were often used together, with one spouse filing and suspending, and the other claiming just the spousal benefits—allowing each of their benefits to grow. That combined strategy will now be available only for those who are at their FRA and who claim within six months of the budget deal being enacted.

"These strategies were complicated, but did have the potential to increase lifetime payments," says Lee Belniak, vice president in Fidelity Workplace Investments. "Those who qualify will need to act quickly, and everyone else will need to reconsider their Social Security strategies."

What the changes mean: four key scenarios

Claiming date	Impact of the new rules
Already filed or in payment	Continue receiving your benefits.
In the midst of a multistep claiming strategy	If you are in the middle of a multistep claiming strategy, and expect to change your filing status in the next few years, you could be impacted.

	If you were planning to delay your own benefit and claim only spousal benefits instead—you may do so from your full retirement age until age 70, if you are at least 62 years old in 2015. If you turn 62 in 2016 or later, this strategy will no longer be available for you.
Filing during the six month grace period	If you want to file and suspend your benefit to allow your husband or wife to take the spousal benefit, you must reach your full retirement age and file before the deadline—180 days after the budget agreement was enacted on November 2, 2015. After the deadline, if you choose to suspend your benefit, the spousal benefit will also be suspended. The change also impacts dependent children—as no other individual will be eligible for benefits based on the earnings record of the person suspending benefits.
Not planning to file until after the grace period	You will not be allowed to take a spousal benefit from a spouse's suspended benefit. The "file and suspend" strategy will be off the table 180 days from when the budget agreement was enacted into law on November 2. If you were planning to delay your own benefit and claim only spousal benefits instead—you may do so from your full retirement age until age 70 only if you are at least 62 years old in 2015. If you turn 62 in 2016 or later, this strategy will no longer be available for you.

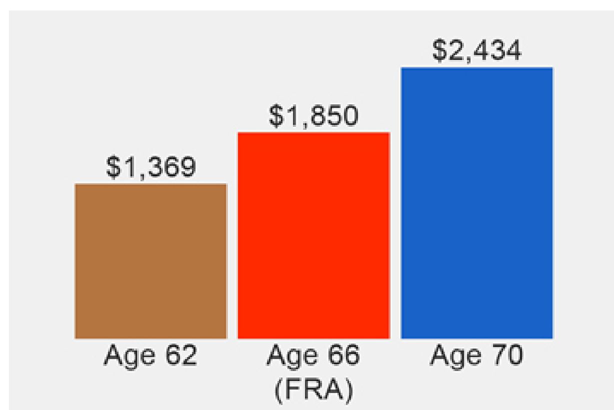
Claiming Social Security is still a strategic decision

The elimination of these two claiming strategies removes some options for couples, but it doesn't minimize the importance of deciding when to take Social Security.

For couples or individuals in good health, remember that delaying Social Security can increase monthly benefits that will rise with inflation and will last the rest of your life—no matter how long you live. This means that delaying can help improve your retirement outlook, especially if you expect to live into your late 80s or 90s.

For couples, the removal of the file-and-suspend and claim-now, claim-more-later strategies means that longevity and income differences become increasingly important. For many couples, delaying the benefit for the higher earner can be particularly significant. This is because after the higher-earning member of a couple dies, the surviving spouse can claim the deceased spouse's full benefit. So claiming the lower earner's benefit early but delaying the benefit for the higher earner may make sense.

Delaying increases monthly benefits



Social Security Administration data: Fast Facts & Figures about Social Security, 2014; Social Security Basic Facts (April 2, 2014); Annual Statistical Supplement 2014; and Annual Statistical Supplement 2015 (In Progress). FRA is full retirement age.

“How you approach these strategies will depend on your particular situation,” says Belniak. “But it is important to weigh your options—Social Security is one of the largest income sources in retirement, and how you claim can make a big difference for your retirement.”

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Correction: A previous version of this article estimated certain deadlines. The Social Security Administration will direct the enactment of these provisions and will determine final effective dates.

*All of the information supplied here is subject to further interpretation and guidance from the Social Security Administration, which is ultimately responsible for the administration of Social Security benefits.

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