



Due to the new budget deal signed by President Obama on November 2nd, 2015, popular Social Security claiming strategies will be phased out.

These changes affect the ability some individuals have to claim benefits based off another income earner, as well as the ability for an individual to decide which benefit they wish to collect at Full Retirement Age or later. The details are below:

- 1 After 6 months (approx. 4/2/16), if an earner suspends social security benefits, no other individual (spouse, ex-spouse, or dependent) will be able to claim benefits based off of that earner's work record until they begin receiving benefits themselves.
- 2 Individuals born in 1954 or after will now have a "deemed filing" whenever they are claiming social security benefits (- i.e. defaulted to receive the greatest benefit available (spousal or individual)). They will no longer have the ability to restrict their own application, thereby letting their benefits continue to grow, while receiving spousal benefits.

An Example of the Ramifications:

Consider a married couple with one income earner entitled to maximum benefits. The primary earner would be entitled to maximum social security benefits at Full Retirement Age (FRA) of \$2,663 in 2015.

*Assumes no inflation adjustments.

Before the Budget Deal

To maximize retirement benefits, the primary earner would file and suspend their benefit, while the non-income earning spouse would claim spousal benefits. The primary earner would then begin receiving their benefit at age 70, resulting in a 32% increase in benefits by deferring to the maximum age.

RESULT: Non-income earning spouse receives \$1,331.50 monthly starting at age 66 while income earning spouse receives \$3,515.16 starting at age 70.

After the Budget Deal

The primary earner can still suspend their benefit, but the non-income earning spouse will no longer be able to receive spousal benefits until the income earner begins receiving benefits. Based on the description above, the \$1,331.50 monthly benefit would not start until age 70. Remember, spousal benefits do not increase beyond FRA. *The household's social security income is reduced by a total of \$63,912 between the ages of 66 and 70.*

RESULT: The breakeven age on total dollars received from a file and suspend strategy vs. simply claiming at FRA is pushed back approximately 6 years from age 81/82 to age 87/88. *Assuming 0% discount rate*

SOURCE: <http://docs.house.gov/billsthisweek/20151026/BILLS-114hr-PIH-BUDGET.pdf>