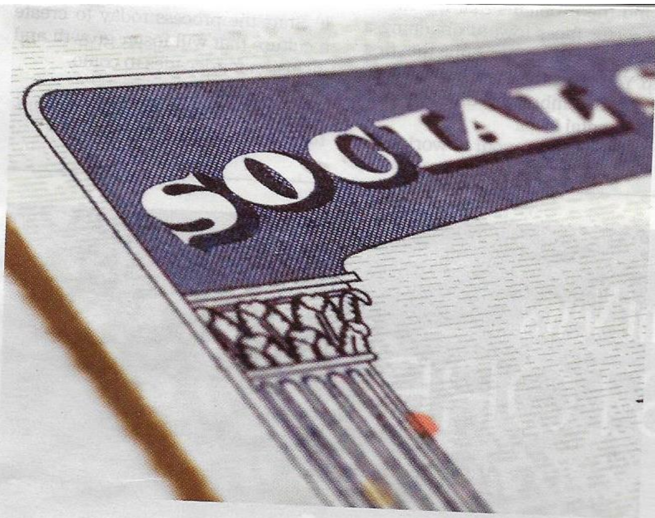

Claiming Social Security at 70

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ONRETIREMENT

By now, most financial advisers and many consumers realize delaying Social Security benefits until age 70 can pay off big time. For every year individuals postpone claiming benefits beyond their full retirement age, they earn an extra 8% per year up to age 70.

What is less obvious is what one needs to do to claim those maximum benefits. Like so many rules involving Social Security, the answer varies depending on individual circumstances.

Someone whose full retirement age is 66 — anyone born from 1943 through 1954 — can see their basic benefit increase by 32% if they wait until 70 to claim. The full retirement age for those born from 1955 through 1960 and beyond ranges from 66 and 2 months to 67. Their delayed retirement credits increase by 0.66% per month — totaling 8% per year — for postponing benefits until age 70.

At my morning exercise class, populated mainly by retirees, I am often besieged by questions about Social Security and Medicare. Recently a fellow Jazzerciser asked what she and her husband needed to do to claim Social Security benefits when each turns 70 later this year.

This couple is lucky. Both were born in 1949, which means they were each able to take advantage of lucrative Social Security claiming strategies before the rules changed as a result of the Bipartisan Budget Act of 2015.

The husband, Skip, filed and suspended his Social Security benefits when he turned 66 in 2015, before the file-and-suspend claiming strategy disappeared on April 30, 2016. That triggered a spousal benefit for his wife, Joanne, allowing her to collect half of his full retirement age benefit amount while each of their own Social Security retirement benefits accrued delayed retirement credits. Skip has not received any Social Security benefits so far.

Joanne asked what she and Skip needed to do to collect their maximum Social Security benefits when they turn 70.

50%
MAXIMUM SPOUSAL BENEFIT BASED ON WORKER'S FRA

Skip doesn't have to do anything. Because he filed and suspended his benefits when he turned 66, his maximum benefits will begin automatically when he turns 70.

Financial advisers take note: The last group of people who were able to use the file-and-suspend strategy before the April 29, 2016, deadline turn 70 by the end of April 2020. Their benefits will automatically begin the month of their 70th birthday.

Joanne's situation is different. Because she filed a "restricted claim for spousal benefits," she is collecting Social Security on her husband's earning record while her own retirement benefits continue to grow by 8% per year.

Joanne asked if her spousal benefits, currently worth half of Skip's amount at age 66, would increase once he claims his maximum benefit at 70.

NO CHANGE

No, her spousal benefits won't change once her husband claims. The maximum spousal benefit is worth 50% of the worker's full retirement age amount if the spouse collecting those benefits is at least full retirement age. Spousal benefits do not qualify for delayed retirement credits.

So what is the value of having one spouse delay claiming Social Security until age 70 if the other spouse can't share in an increased spousal benefit?

By delaying until 70, the spouse with the maximum benefits potentially increases the future survivor benefit for the other spouse. A survivor benefit is worth 100% of what the deceased worker was receiving or entitled to receive at time of death, including any delayed retirement credits, assuming the spouse who is collecting survivor benefits is at least full retirement age. When one spouse dies, the bigger benefit continues as the survivor benefit.

Joanne's maximum retirement benefits will not begin automatically. Currently, she is claiming spousal benefits on her husband's earnings record. To claim her own maximum retirement benefits at 70, she will have to file a claim on her own Social Security earnings record. And because she is already receiving Social Security spousal benefits as a spouse, she is not eligible to file online, but will have to visit her local Social Security Administration office.

Another note: 2019 marks the last year for people to file a restricted claim for spousal benefits when they turn 66. To do so, they must have been born on or before Jan. 1, 1954, and the other spouse must be receiving his or her Social Security benefit, or must have filed and suspended benefits before the April 29, 2016, deadline.

Eligible individuals can exercise this valuable claiming strategy any time between the ages of 66 and 70, meaning the spousal benefit strategy will be available to some people through 2023.

(Questions about Social Security? Find the answers in my ebook at InvestmentNews.com/MBFebook.)

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