

New Social Security Changes



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Like a thief in the night and without public debate or comment, Section 831 of the Bipartisan Budget Act of 2015 changed a number of popular Social Security claiming strategies. If you are already collecting your Social Security retirement benefits, these changes should have little or no effect on you. However, if you are not yet collecting benefits and were developing a claiming strategy to enhance your lifetime payouts, these changes will likely alter your strategy. For a program that affects virtually almost everyone who has ever worked in their lifetime, Social Security is an amazingly complex topic. This article will summarize the new changes that President Obama signed into law on November 2.

One of the most popular and most frequently used claiming options available to couples since the Senior Citizens' Freedom to Work Act of 2000 was a potentially lucrative strategy known as "file-and-suspend." The file-and-suspend strategy was a popular method used by couples with markedly different lifetime incomes. Under file-and-suspend, the higher-earning individual, upon reaching full retirement age (age 66 for anyone born in years 1943-1954), filed for Social Security benefits but then immediately suspended the benefit by not taking the Social Security payment. Suspending these benefits allowed that benefit to continue to grow over time at a rate of around 8% per year until age 70. Meanwhile, upon reaching full retirement age, the lower-earning spouse would claim spousal benefits. This was called filing a "restricted application." When the higher-earning spouse hit age 70, he/she would then file for the benefits that had been accruing at the additional 8%. The lower-earning spouse would continue the spousal benefit until they turned 70. At that point they would end the spousal benefit and take their own monthly accrued benefit assuming it was larger. While it may sound complicated (and probably is/was), the net effect of the file-and-suspend strategy often provided many thousand of dollars in additional payment to the married couple over their lifetime.

In a nutshell, the amount of your Social Security payout depends upon the credits you earn over a 35 year working career and the age at which you file for your retirement benefits. Once you file, the amount of the monthly check is set in stone for the rest of your life. A cost of living adjustment may be given in some years depending upon inflation calculations. You may file at age 62 for an early benefit, but you will receive a reduced payout. Filing at your "full retirement age" of 66 nets you a full payout. By waiting until age 70, you receive 32% more every monthly than if you had filed at age 66, and 76% more than you would by claiming your benefits at 62. The break-even point between collecting benefits at age 62 or waiting until 70 can range from about age 81 to 87 depending upon taxes, investment returns and other factors. Live beyond that period and you will be ahead of the game by waiting to start collecting your benefits. The file-and-suspend strategy sought to maximize the interplay of all these factors.

While the file-and suspend option bore the brunt of the new changes, other areas were also affected. The changes to Social Security claiming strategies are summed up in the following bullet points. These points were taken from a research paper provide through my subscription to *Social Security Solutions*:

- For clients who have already implemented a "file-and-suspend" strategy, they will be "grandfathered" and allowed to continue with their claiming strategy.
- Clients still have 6 months from the time the budget bill is signed to implement a "file-and-suspend" strategy. After this period, any request to suspend benefits will stop all payments of benefits on a worker's record including spousal and other family benefits.
- For clients who will have reached age 62 by the end of 2015, it remains possible to file a "restricted application" for spousal benefit only at full retirement age. This option is effectively being "phased out" over the next four years.
- For clients who will reach age 62 beginning in 2016 and later, the option to file a restricted application for spousal benefits only will not exist. This means that clients who become eligible for both their own benefit and a spousal benefit and apply before age 70 will automatically be paid the equivalent of the higher of the two benefits.
- For clients who qualify for their own retirement benefit, the maximum benefit will be paid at age 70. Clients will still earn delayed retirement credit of 8% per year between their full retirement age. However, all benefits being paid on the worker's record will stop.
- Benefits for widows are basically unchanged.
- Divorcees will no longer be able to take advantage of filing a restricted application for divorced spousal benefits only so that their own retirement benefit can accrue delayed retirement credits. The exception to this is the group who will have already reached 62 by the end of 2015.

I will end this discussion by repeating three of the points I made in my opening paragraph. 1) Social Security is an amazingly complex topic. 2) If you are already collecting your retirement benefits, these changes should have little or no effect on you. 3) If you are not yet collecting your retirement benefit, these changes will likely alter your strategy. If you are still trying to figure out the best path to take, I have one of the best Social Security software analyzers available in the market place right now. Give me a call and we can set up an appointment. Thank you for your loyalty. Best wishes for a Happy Holiday season and take good care!!!

SENIOR DISCOUNTS - JUST ASK!



There are “oodles” of senior discounts and some start at the age of 50 and up. A list from TheSeniorList.com is provided below. The majority are not advertised so you must ask what their policy is as discount and age may vary by location. Also, check out AARP, AAA and About.com. These lists are continuously updated.

<u>RESTAURANT</u>	<u>DISCOUNT</u>	<u>AGE</u>
Applebee's	15% off with Golden Apple Card	60+
Arby's	10% off	55+
Burger King	10% off	60+
Denny's	10% off, 20% off for AARP members	55+
IHOP	10% off	55+
McDonald's	discounts on coffee everyday	55+
Subway	10% off	60+
Taco Bell	5% off, free beverage for seniors	65+
Wendy's	10% off	55+
Einstein's Bagels	10% off bakers dozen of bagels	60+

STORES

Carson's Dept Stores	15% off senior discount days	55+
C.J. Banks	10% off every Wednesday	50+
Clarks	10% off	62+
Dress Barn	20% off	55+
Kohl's	15% off	60+
Rite Aid	10% off on Tuesday's & 10% off prescriptions	

GROCERY STORES

Dollar Stores	10% off every Monday	50+
Kroger's	10% off (date varies by location)	
Busch's	10% off on Tuesdays with a Busch Star Card	60+

TRAVEL

American Airlines, Southwest Airlines, United Airlines, U.S. Airways (Various discounts for 65+-call before booking for discount)		65+
Amtrak	15% off	62+
Greyhound	15% off	62+

ENTERTAINMENT

AMC Theaters	Up to 30% off	55+
Several theme parks are listed		

CELL PHONE DISCOUNTS

AT&T	Special Senior Nation 200 Plan \$19.99/month	65+
Verizon Wireless	Nationwide 65 Plus Plan \$29.99/month	65+

Note: This is only a partial list. Visit the website mention above.



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