Social Security Retirement Claiming Strategies for Married Couples

For many Americans, Social Security benefits are an important source of retirement income. How *much* a retiree receives each month from Social Security is affected by a number of factors, including the retiree's lifetime earnings history, the age at which he or she applies for benefits, and whether more than one type of benefit may be available.

Carefully choosing when and how to claim Social Security retirement benefits can significantly increase the total dollar amount of benefits received. For an unmarried individual, deciding when to claim Social Security retirement benefits is relatively straightforward. For married couples, however, it is a more involved decision.

Basic Ground Rules for Claiming Retirement Benefits

Birth Year	FRA
1943-1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67

- Primary Insurance Amount: All Social Security benefits are based on a worker's lifetime earnings record. Higher lifetime earnings generally result in higher benefits. Based on the earnings record, the Social Security Administration calculates an amount, called the "Primary Insurance Amount," (PIA). The PIA is the basic value upon which all of the worker's (and dependent's) benefits are based.
- Full retirement age: For many years, the "full" retirement age (FRA), the age at which "full" benefits - 100% of an individual's PIA - are available, was age 65. However, for those born in 1938 or later, FRA has gradually been increasing. It is scheduled to reach age 67 for those born in 1960 or later.
- Type of benefit available – unmarried individuals: For single individuals, deciding when to apply for retirement benefits is relatively easy; they have only the retirement benefit itself to consider. Apply early, get a reduced benefit; apply later, get a larger benefit.

- Early retirement = reduced benefits: Age 62 is generally the earliest age that someone can begin to receive Social Security retirement benefits. However, if retirement benefits begin before an individual's FRA is reached, the benefit paid is reduced to reflect the fact that income will be paid over a longer period of time. An individual's PIA is reduced by 5/9 of 1% for each month, up to 36 months, that the individual applies before FRA. If the individual applies for benefits more than 36 months before FRA, an additional reduction of 5/12 of 1% is applied for each month in excess of 36.
- Delayed retirement = a bigger benefit: If an individual delays applying for retirement to FRA or beyond, the benefit is increased. For those born in 1943 or later, delaying retirement increases the benefit by 8% of the full PIA for each full year they wait beyond FRA. The maximum delayed credit is reached at age 70.
- Working and receiving benefits simultaneously: Individuals under FRA, who are both working and receiving Social Security benefits, are subject to certain earnings limitations. Once these limitations are exceeded, a recipient's Social Security benefits are reduced. For 2018, for those under FRA, benefits are reduced by one dollar for every two dollars in excess of $17,040. If the worker reaches FRA in 2018, benefits are reduced by one dollar for every three dollars of earnings in excess of $45,360. At FRA, these "lost" benefits are later partially restored through a benefit re-computation that takes into account the number of months of reduced or no benefits.

A Changing World - Claiming Strategies Available to Married Couples

For married couples, the situation is more complex, for two key reasons: (1) there are several types of benefits that may possibly be claimed by spouses, and (2) the impact of major changes to Social Security law contained in the Bipartisan Budget Act of 2015, signed into law by President Obama on November 2, 2015. These legislative changes effectively ended what Congress saw as an abuse of prior Social Security law, resulting in married beneficiaries receiving more Social Security retirement income than Congress originally intended.[1] Because of this legislation, the Social Security retirement claiming strategies available to married couples have changed. Whether the new law or old law applies will depend on the ages of the spouses and the cutoff dates during a transition period provided for in the new law.

- Types of benefits available to married couples: Through April 29, 2016, there were three types of retirement benefits potentially available to certain married couples:
    1. Retirement benefit: The benefit an individual receives based on his or her own earnings record. If both spouses have worked, each may independently qualify for a retirement benefit.
    2. Spousal benefit: A benefit payable to the spouse of a retired worker. If the spouse has reached FRA, the benefit is generally 50% of the worker's PIA.
    3. Survivor's benefit: A benefit payable to a deceased worker's surviving spouse. If the survivor has reached FRA, the benefit is usually 100% of the worker's PIA.

[1] The section of the law that changed Social Security benefits, Section 831, is titled, "Closure of Unintended Loopholes."

Under prior law, the optimal Social Security retirement claiming strategy available to a married couple was usually a mix of two basic approaches: (1) File and Suspend, and; (2) Claim Now, Claim More Later. The following examples show how each of these approaches worked.

- File-and-Suspend: In the "File-and-Suspend" approach, a worker, upon reaching FRA, filed for retirement benefits and then immediately suspended their receipt.[2] This had a couple of effects:
    1. The spouse then qualified for "spousal" benefits. Social Security would compute both the spousal benefit (generally 50% of the worker's PIA) and any retirement benefit the spouse may have earned in his or her own right, and, in effect, awarded the *larger* of the two.[3] Except for cost-of-living adjustments, this benefit would continue unchanged until either the spouse or the worker died.
    2. The worker, by suspending receipt of benefits, would also have received an increased retirement benefit for each month of delay up to age 70. This would also have provided a larger widow(er)'s benefit (generally 100% of the deceased worker's PIA) to the spouse, assuming that: (a) the worker pre-deceased the spouse, and (b) the worker's retirement benefit was larger than the benefit the spouse was receiving at the time the worker died.

- Claim Now, Claim More Later: If the worker or spouse was at or beyond FRA, they had a choice of collecting either the spousal benefit or their own retirement benefit. Generally, this approach was used by the high-earning spouse:
    1. A low-earning spouse must have claimed his or her own retirement benefit.
    2. The high-earning spouse would do what is known as a "restricted application" where he or she would choose to receive the spousal benefit only while allowing his or her own retirement benefit to grow (via delayed retirement credits) until age 70.
    3. At 70, the high-earning spouse would then switch from spousal benefits to his or her own retirement benefit.

The Impact of the Bipartisan Budget Act of 2015

The Bipartisan Budget Act of 2015 effectively ended both the File-and-Suspend and the Claim Now, Claim More Later strategies. The major impacts of this law on Social Security include:

1. File-and-Suspend: The new legislation, effective for claims filed on or after April 30, 2016, still allows an individual to file-and-suspend, but doing so also suspends all other benefits based on the worker's record. The worker must actually *receive* his or her Social Security benefit in order for a spouse or other qualifying dependents to receive a benefit. The worker's own retirement benefit will still increase due to delayed retirement credits. Families who were already receiving benefits under this strategy, and those who file-and-suspend by April 29, 2016 (i.e. those who reached age 66 by April 29, 2016), were not affected by the new law.

[2] Under both the old and the new law, the option to file and suspend is not available until an individual reaches FRA.
[3] Benefits taken before FRA are reduced to account for the fact that they will be paid over a longer period of time.

2. **Claim Now, Claim More Later:** Under prior law, the key to this strategy turned on the ability of a spouse, once he or she reached FRA, to file a "Restricted," application for spousal benefits *only*. Under the new legislation, individuals who were *age 62 or older in 2015*[4] will still be able to file a Restricted application in the future, claim spousal benefits, and then later switch to their own (larger because of delayed retirement credits) retirement benefit. However, for those *under age 62 in 2015*, this choice is no longer available. When a spouse who is entitled to both a spousal benefit and a retirement benefit applies for benefits, Social Security will calculate both amounts and award the larger of the two. In essence, the spouse either applies for all possible benefits, or delays all possible benefits. There will no longer be a choice to claim one benefit now and a different benefit later.

3. **Key points to remember**:
   - Those who are already using either the File-and-Suspend or the Claim Now, Claim More Later strategies may continue to do so. The new law does not affect them.
   - April 29, 2016 was the last day for those who had reached FRA to request suspension of benefits in order to qualify a spouse or other dependents for Social Security benefits while simultaneously allowing their own retirement benefit grow due to delayed retirement credits.
   - Those who were at least age 62 in 2015 will still be able to file a "Restricted" application for spousal benefits only when they reach FRA. The last of these individuals will reach FRA in 2019.
   - Those who reach age 62 after 2015 will not be able to file a "Restricted" application, nor will they be entitled to use the File-and-Suspend strategy.

Choosing Which Approach to Follow

In a shifting legal environment, and with so many variables involved, how does a married couple decide when and how to apply for Social Security retirement benefits? A good first step involves using a specialized software program. This type of computer analysis takes into account factors such as the relative ages of each spouse, their individual earnings history, an anticipated mortality age for each, and whether the old or new Social Security law applies. The end result is a theoretical "optimal" claiming strategy.

This optimal strategy, however, is often affected by real-world difficulties such as poor health (i.e. a shorter life expectancy), a need for income now, a "down" stock market, or other unexpected problems. However, understanding the claiming strategies that are available, and how to best utilize them, can help a married couple coordinate the theoretical with the real- world and maximize, to the greatest extent possible, the retirement and widow(er)'s benefits received from Social Security.

[4] Technically, an individual born on January 1, 1954, attained age 62 on December 31, 2015.

Seek Professional Guidance

The right claiming strategy for Social Security retirement benefits can make an enormous contribution to a retirement that is both secure and comfortable. Because of the complexities involved, the advice and guidance of experienced, trained financial professionals in making these decisions is strongly recommended. Social Security questions can also be answered by directly contacting the Social Security Administration.

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