The AMERICAN RETIREMENT ADVISOR

A guidepost to your successful retirement.

12 strategies to maximizing your lifetime Social Security benefits under the 2016 rules.

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12 strategies to maximizing your lifetime Social Security benefits under the new April 2016 rules.

1. The most important means to maximize your lifetime benefits was and remains to try to start benefits only after they have stopped growing. For a high earning 60-year-old couple, for example, their inability to utilize file and suspend costs them about $50,000. But if they wait until 70 to collect their retirement benefits, they will still be up $350,000 compared to taking their retirement benefits at 62. That's the power of being able to wait to collect a 76 percent greater check every month from age 70 through 100 if you live that long. As a result of this new law, this couple loses roughly $50,000 out of the $400,000 they would have previously received from optimizing. That is, the budget legislation cost them 12.5 percent of their remaining lifetime benefits. The hit to my secretary if she takes her retirement benefit at 66, which appears likely, is roughly twice as large. So this supposed "progressive" policy change that "eliminated loopholes" is nothing of the sort. It will differentially force low- and middle-income households to file for their retirement benefits early and leave them with permanently lower old-age living standards.

2. If you are married, you may still qualify to use the file and suspend strategy. Under this strategy, a) one spouse files and suspends their retirement benefit at 66 and waits until 70 to restart that benefit at its highest possible value while b) the other spouse files just for a spousal benefit at full retirement age and waits until 70 to take his or her retirement benefit.

Under the new law, use of the file and suspend strategy is highly restricted. The spouse who is going to file and suspend has to have been born no later than May 1, 1950, and submit their request to file and suspend on or before April 29, 2016, so Social Security has time to process their application. This reflects the six-month grandfathering window including in the 2015 Budget.

The spouse who wants to take their full spousal benefit by itself and let their own retirement benefit grow must be born no later than Jan. 1, 1954. The grandfathering rule here is you need to be 62 by the end of the year, but Social Security treats someone whose birthday is on the first of a month as having changed their age on the last day of the prior month. So if your spouse does file and suspend before this witching second, you better not turn 62 (the way you record your own birthday) even a nanosecond after midnight, Jan. 1, 2016.

3. If you are divorced (after having been married for 10 or more years) and turn 62 no later than Jan. 1, 2016, you can still file just for your divorce(e) spousal benefit at full retirement age and wait until 70 to collect your own retirement benefit.

4. If you are married and you and your spouse are more than four years apart in age, but the younger of the two of you will reach 62 by the end of this year, that younger spouse is still free to file just for a full spousal benefit when he or she reaches full retirement age and still let his or her retirement benefit grow through age 70. This is possible, because the older spouse will be taking retirement benefits by then.

5. If you are married and reach 62 no later than Jan. 1, 2016 and your older spouse won't reach 66 by May 1, 2016, your older spouse can file for a retirement benefit before age 70, but after you reach full retirement age, permitting you to take just your spousal benefit at that point and then wait until 70 to collect your own retirement benefit. Whether this is optimal is something only the most precise commercial software can calculate. Make sure that the software program you use has been fully updated since the legislation has passed.

6. Suppose you are a married younger spouse and that you were born after Jan. 1, 1954 and that your spouse was born after May 1, 1950. Assume you have very low earnings relative to your spouse so that your spousal benefit will exceed your own retirement benefit even if you wait until 70 to collect it. In this case, you and your spouse have a tricky problem.

Your spouse can file for their retirement benefit before reaching 70, say, at 68. But doing so comes at a price of permanently reduced retirement benefits and a permanently lower widow's benefits for you if your spouse dies before you and after age 68. On the other hand, by taking their retirement benefit earlier than 70, your spouse can permit you to take your spousal benefit sooner than would otherwise be the case. Recall, however, that if you take your spousal benefit before full retirement age, it will be permanently reduced.

One option, which is likely the best in many cases, is for you to take your own retirement benefit when you reach full retirement age and then take your excess spousal benefit when your spouse reaches age 70 and take their retirement benefit. But if your spouse has a relatively low maximum age of life, it may be better for you to take your retirement benefit as early as age 62 and have your spouse take their retirement benefit somewhat before age 70 at which point you take your excess spousal benefit. Taking the excess spousal benefit (the difference between your full spousal benefit and your own retirement benefit) early (before full retirement age) will permanently reduce it. But if you are going to be flipping onto a widow's benefit fairly early in life, getting a bird in the hand may be worth it.

If the above sounds even more complex than under the old system, you're right: it is. The new law has made maximizing your Social Security via the correct collection strategies even more complex for many couples.

7. If you took your retirement benefit before full retirement age, were born after Jan. 1, 1954 and were hoping to suspend it at full retirement age, you can still suspend your retirement benefit and restart it at 70 at what is now a 32 percent larger value. But you can't provide your spouse or your ex-spouse or your young or disabled children any benefits based on your account during the years that you keep your retirement benefit in suspension.

For example, you may have filed for your retirement benefit last year, say, at age 62 to activate a child benefit for your disabled child and a child-in-care spousal benefit for your spouse who is caring for your child. You may have done so knowing that at full retirement age you could suspend your own retirement benefit and restart it at a 32 percent higher at 70 without terminating your child's disabled child benefit and your spouse's child in care spousal benefit during the suspension period. But Congress and the President just took that option away. When you reach full retirement age, if you suspend, both the child and child-in-care spousal benefit will stop until you restart your retirement benefit. Consequently, the advantage of this start-stop-start strategy has been greatly reduced.

Still, it may be best to forego those auxiliary benefits for four years in order to have a permanently higher retirement benefit (and when you die, provide a permanently higher widow(er) benefit), starting at 70.

8. If you are single or divorced before 10 years and you aren't going to get married, the new law doesn't change any of your options except for one. If you don't reach 66 until after May 1, 2016, but you still suspend your retirement benefit, you will no longer be able to ask to receive all your suspended benefits in a single lump sum check if, for example, you are diagnosed with a terminal disease. This makes suspending your benefit in order to raise it by restarting it at 70 a riskier option.

9. If you are widowed, nothing has changed with respect to your options to maximize your lifetime Social Security benefits. Your best strategy will be to either a) take your widows benefit at 60 (or 50 if you are collecting disability) and start your own retirement benefit at 70 (or, if widowed, at full retirement age, but you can then suspend it until 70) or b) take your retirement benefit at 62 and take your widow(er) benefit at full retirement age or earlier in the case your deceased spouse took their own retirement benefit early.

10. If you are collecting disability benefits, you weren't hurt as badly by the new law. That's because thanks to another midnight massacre of Social Security benefits, you weren't able to collect a full spousal benefit off you spouse's work record in any case. On the other hand, if your spouse turns 62 by or on Jan. 1, 2016, they can collect just a full spousal benefit from full retirement age through 70 while letting their retirement benefit grow. That is, they too are grandfathered.

11. If you are disabled and were expecting to collect excess spousal benefits from your spouse during years that their retirement benefit is in suspension, you can kiss those benefits goodbye unless your spouse was born on or before May 1, 1950 and files and suspends.< If your spouse is a minute too young to meet that deadline and suspends after reaching full retirement age, they won't be able to give you any benefits off their work records while their retirement benefits are in suspension.

12. If you and your spouse were born before or on Jan. 1, 1954 and have been married for 10 plus years, but neither of you will turn 66 before or on May 1, 2016, you have an option to collect full spousal benefits off of each other's records starting at full retirement age and then take your own retirement benefits at 70. But, there's a rather large caveat: The option involves getting divorced two years before you reach full retirement age. Neither of you will be deemed at full retirement age to be filing for both your divorcee spousal benefit and your own retirement benefit (because you have been grandfathered in), so you'll have this option that someone who won't turn 62 by or on Jan. 1, 2016 won't have. Between the time that you divorce and age 70, you can "live in sin." Then at 70, you can get remarried. For some high-income households this can mean an extra $120,000.

SOURCE: **BY LAURENCE KOTLIKOFF** *November 12, 2015*

For information about planning for your financial life in retirement…

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