

# Requiem for a Claiming Strategy

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On the surface, it seems too good to be true. You have a married couple, where (let's say) the husband has earned higher yearly income than his wife. That means he has contributed more to Social Security over his working life. The husband files for Social Security benefits at full retirement age (currently age 66) and then immediately files to suspend those benefits.

As a result of this simple maneuver, the wife is now entitled to immediately receive Social Security spousal benefits equal to half of the husband's full retirement benefits that were just suspended. She would do this if 50% of the husband's benefit is higher than she would have received if she had simply claimed her own Social Security payments.

Because he suspended his benefits, the husband can continue working, and wait until age 70 to start receiving Social Security checks in his own name. Why would he do that? Because each year of deferral allows him to accumulate more credits - effectively raising his monthly benefits 8% a year, which is considerably higher than the inflation rate. At that time, the wife would stop claiming the husband's benefits and start receiving her own Social Security checks. If she was working at the time, she might have raised the amount she could claim under her own name.

Presto! More money now, more money later.

This popular Social Security claiming strategy is called "file and suspend," and by this time next May, it may no longer be an option for retirees. The Bipartisan Budget Act of 2015 that recently passed the House of Representatives would close what lawmakers are calling the "file and suspend" loophole six months after the President signs it into law. You can expect that eligible seniors will be knocking on the doors of their Social Security offices before that deadline. Meanwhile, those who have already filed and suspended will be allowed to continue as before.

The original rationale behind the file and suspend strategy was to encourage more seniors to continue working. The rationale behind ending it is that it was becoming a drain on the Social Security system. Moreover, Congress was looking for money to offset a huge increase in Medicare Part B premiums for individuals not yet receiving Social Security payments. The provision is likely to pass the Senate, and could be the opening gambit of a broader discussion about how to "fix" Social Security's messy finances.

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Sources:

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