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Reilly Financial Advisors

UNPUBLISHED

Wealth Strategies

The In's and Out's of Social Security

Part 7 of 12

Changes to Social Security

In October, Reilly Financial Advisors authored an article highlighting some of the basic and more advanced strategies surrounding Social Security Retirement Benefits. Well if there is one constant in retirement planning, its change. Shortly after that article was published, President Obama signed the “Bipartisan Budget Act of 2015” into law. Part of that budget deal will eliminate two the social security claiming strategies: **file-and-suspend** and **restricted-application**.

File and Suspend was a strategy that allowed for one spouse to have their benefit amount continue to grow while still generating some Social Security income for the household. The Restricted Application approach was to in effect ‘double dip.’ At full retirement age, a spouse could make a restricted application, allowing them to collect spousal benefits only while allowing their own benefit to earn delayed credits. They could then elect to switch back to their own higher benefit as late as age 70.

Does this affect me?

- If you are already using one of these strategies you are grandfathered in, and will not be affected by these changes
- If you and your spouse will be under the age of 62 by the end of 2015, you will be unable to use either of these strategies
- If you will turn 62 on or before January 1nd 2016 may still use the restricted application, but not the file and suspend strategy.
- If you or your spouse will be of full retirement age (at least 66) by April 30, 2016, you can take action now to preserve these strategies. File-and-Suspend as soon as you hit full retirement age. There is no downside.

While the new rules have been signed into law, we expect Social Security to provide more instruction on the way new rules will be interpreted by the end of the year. It is not uncommon for Congress to pass some additional minor changes to eliminate any ‘unintended consequences’. Planning for change and being able to adapt to those changes are key to successful financial planning. Talk with a qualified professional to determine what your next steps should be.