

TUCKER FINANCIAL SOLUTIONS

12 SECRETS TO MAXIMIZING YOUR SOCIAL SECURITY BENEFITS UNDER THE NEW RULES

*By: Laurence Kotlikoff
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FOREWORD

You have downloaded one of the most important tools you will need to be able to maximize your Social Security benefits. It is critical you learn these facts, so that you understand how important the rest of this eBook is to the decision you will make about claiming Social Security.

THE SOCIAL SECURITY ADMINISTRATION PROVIDES YOU WITH:

- 567 ways to claim your benefits
- ZERO employees to advise you on the best strategy
- One chance to get this right (after twelve months, there are no “do-overs”)

While this eBook and our website will equip you with much of the information you need to know and understand about Social Security, they cannot replace a personal meeting with a qualified advisor. Your visit with us can take into account your full retirement picture so that we can provide you with a Social Security Maximization Report that is built specifically for your situation.

SOCIAL SECURITY'S HANDBOOK HAS 2,728 SEPARATE RULES GOVERNING ITS BENEFITS.

And it has thousands upon thousands of explanations of those rules in its *Program Operating Manual System*, called the POMS, which provides guidance on implementing the 2,728 rules. Talk about a user's nightmare!

As a young economist, I did a fair amount of academic research on saving and insurance adequacy. At the time, I thought I had a very good handle on the rules. Then I started a financial planning software company, which makes suggestions about what benefits to take from Social Security and when to take them to get the best overall deal. (Ask your advisor about completing a Social Security Maximization Report for your specific situation).

At that point, I realized I needed to quadruple-check my understanding of Social Security's provisions. To do this, I established contacts with experts at Social Security's Office of the Actuary. I also hired a specialist whose only job was to audit my company's Social Security, Medicare premium, and Federal and State Income Tax code.

The problem with this strategy is you can only check on things you know about. Over the years, I discovered things I had never heard of. I would then check with the Social Security actuaries who would say, "Oh yes, that's covered in the POMS section GN 03101.073!"

Mind you, a large share of the rules in Social Security's Handbook rules are indecipherable to mortal men and the POMS is often worse. But thanks to patience on the part of the actuaries, I've learned things which almost no current or prospective Social Security recipient knows, but which almost all should know.

The reason is that taking the right Social Security benefits at the right time can make a huge difference to a retiree's living standard.

Unfortunately, Social Security has some very nasty *gotcha* provisions, so if you take the wrong benefits at the wrong time, you can end up getting the wrong, as in smaller, benefits forever.

Also, the folks at the local Social Security offices routinely tell people things that aren't correct about what benefits they can and can't receive and when they can receive them. Taking Social Security benefits – the right ones at the right time – is one of the biggest financial decisions you'll ever make, so you need to get it right.

Getting it right on your own, however, is nigh well impossible. One of my engineers and I calculated that, for an age-62 couple, there are over 100 million combinations of months for each of the two spouses to take retirement benefits, spousal benefits, and whether or not to file and suspend one's retirement benefits. There are also Start-Stop-Start strategies to consider. Each combination needs to be considered to figure out what choices will produce the highest benefits when valued in the present (measured in present value). For some couples who are very different in age, survivor benefits also come into play. In that case, the number of combinations can exceed 10 billion!

Fortunately, your advisor has access to my proprietary calculator, which can help you find the right answer. It does execute exhaustive searches of all combinations of months in which you can take actions, but thanks to modern computing power and careful programming, our program can run through millions upon millions of combinations of decisions incredibly fast.

Whether or not you meet with your advisor and request your personal maximization report, it's important to have as full a handle on Social Security's provisions as possible. Listed below are Social Security secrets I've learned over the years that you may not know or fully understand.

The 12 *Secrets*

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/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.

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 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 his 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.

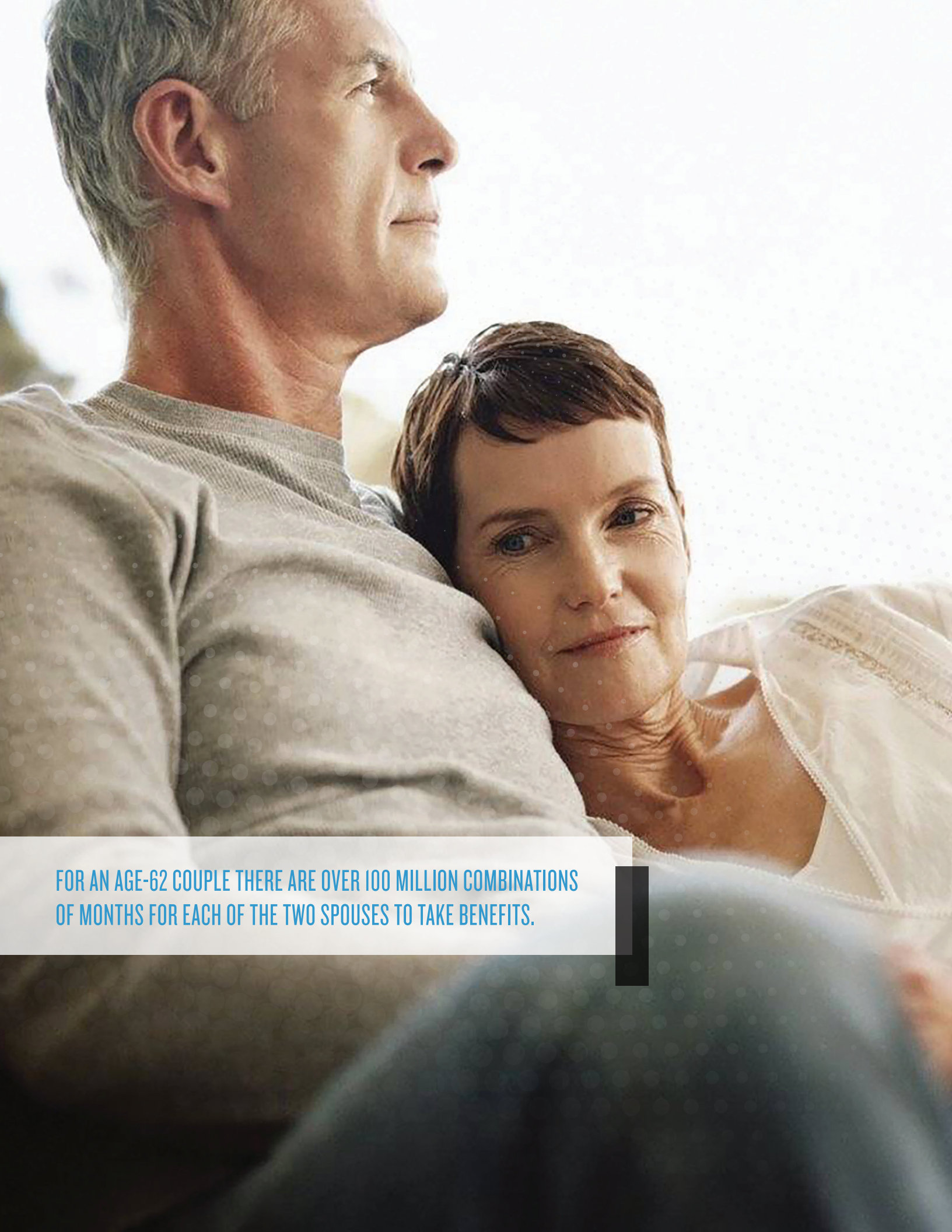
One option, which is likely the best in many cases, is for you to take your own retirement benefit when you reach full retirement age, take your excess spousal benefit when your spouse reaches age 70,

and then take his retirement benefit. However, 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 would 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.

567

NUMBER OF WAYS TO CLAIM



FOR AN AGE-62 COUPLE THERE ARE OVER 100 MILLION COMBINATIONS
OF MONTHS FOR EACH OF THE TWO SPOUSES TO TAKE BENEFITS.

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, 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 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; 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.

\$250,000

THE BENEFITS
YOU COULD HAVE
COMING

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 widow(er) 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 of your 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 in.

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 won't be able to receive them 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 of 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). Know that there is 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 hit 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.

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