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The End of Certain Social Security Strategies

BY REBECCA FLEWELLING • FEBRUARY 18, 2016

For years, individuals have taken advantage of certain Social Security strategies that increase benefits by thousands of dollars. On April 30th of this year, however, a new rule will be implemented that eliminates the effectiveness of these strategies.

The current rules allow couples to file and suspend one spouse's benefit to allow the other spouse to receive spousal benefits, while letting the suspended benefits continue to grow. The way it works is couples file for benefits at their full retirement age and the spouse with the higher income immediately suspends his/her benefits. This allows the spouse with the lower income to collect a spousal benefit based on the earnings of the spouse who suspended. The spousal benefit is equivalent to 50% of the suspended spouse's benefits.

All the while, the benefits of the higher-income spouse continue to grow until he/she reaches age 70 and begins withdrawing. By waiting until age 70 to withdraw, the payout is roughly 8% higher yearly than it otherwise would have been if withdrawn at 62. This is a huge advantage to Social Security recipients.

Now, under the new rules, retired individuals can collect only the larger of the spousal benefits or their own benefits. Starting on April 30th, individuals can no longer collect on both spousal benefits and their own. Those who are already collecting under these methods will not be affected by the new rule, but individuals should act fast and take advantage of one of these Social Security strategies if they haven't already before these new rules go into effect.