Introduction to Social Security

Learn about your Social Security benefits
Taking the mystery out of Social Security

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The “file and suspend” and “restricted application” strategies aren’t widely known, but you can find more information about them in the Social Security Program Operations Manual System (POMS) Sections GN 02409.100 and GN 02409.110 at secure.ssa.gov/apps10/. Information on how to file an application for retirement benefits can be found in POMS Section RS 00202.020. The Bipartisan Budget Act of 2015 presents new rules for some claimants from using a combination of the “file and suspend” and “restricted application” strategies. Grandfathering rules allow some claimants, however, to continue to use this combination strategy if they submitted their requests by April 29, 2016. Ask your advisor whether you qualify.

For most Americans, Social Security represents a significant source of retirement income, so it’s important to understand how much you’ll receive from Social Security when you begin taking your benefits. You may not know, for example, that the amount of your Social Security benefits varies depending on the year you were born, your lifetime earnings, and the age at which you begin receiving payments.

You can start to receive Social Security benefits as early as age 62, but we’ll explain why waiting to receive benefits might be beneficial. To make the best decision for your situation, you’ll need to know your full retirement age (FRA), which is the age at which you’ll be eligible to receive your primary insurance amount (PIA).

Finally, since up to 85% of your Social Security benefits are included in the calculation of your federal adjusted gross income (and may be subject to state income tax),* your retirement plan should account for taxes, especially if you’ll be taking required minimum distributions (RMDs) from IRAs or if you’ll withdraw from an employer-sponsored plan during your retirement.

Special rules apply to current, former, and widowed spouses claiming Social Security benefits, and strategies offer married couples; divorced, widowed, or surviving spouses; and single workers the opportunity to maximize benefits throughout retirement and decrease longevity risk. We’ll illustrate how those rules work and provide examples of how the claiming strategies can increase the amount of Social Security benefits for some recipients.

When can I start taking benefits?

To qualify for Social Security benefits, you must be “fully insured,” which means you’ve accumulated at least 40 Social Security credits, or the equivalent of ten years of earnings. If you stop working before you’ve earned enough credits to qualify for benefits, the credits remain on your Social Security record, and you can add to them if you return to work later. You won’t receive any Social Security retirement benefits if you haven’t earned the required number of credits.

The amount of your benefits will depend on when you were born, and your age when you start taking them. You may claim Social Security as early as age 62 or as late as age 70. But to be eligible for your full benefits, you must be at full retirement age (FRA). For claimants born in or after 1943, FRA ranges from age 66 to 67, depending on your birth year. As the chart shows, if you wait to start collecting Social Security benefits, you’ll receive a higher percentage of your full monthly benefit—and depending on your age, you may even qualify to collect more than 100% of your full monthly benefit.

The percentages displayed in the chart apply for as long as you receive Social Security benefits. So if you were born in 1960 or later and you decide to claim Social Security benefits at age 62, your monthly benefit throughout your retirement would be 30% less than your full retirement benefits.

There are two potential advantages to choosing to delay your retirement. First, if you delay claiming Social Security up to age 70, your monthly benefit throughout retirement can increase as much as 32% from your benefits at FRA. Second, if you continue to work throughout this period, you can add to your earnings record and grow your benefits that way.

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Full retirement age</td>
<td>66</td>
<td>66 and 2 months</td>
<td>66 and 4 months</td>
<td>66 and 6 months</td>
<td>66 and 8 months</td>
<td>66 and 10 months</td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>75.0%</td>
<td>74.2%</td>
<td>73.3%</td>
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<td>71.7%</td>
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<tr>
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<td>80.0%</td>
<td>79.2%</td>
<td>78.3%</td>
<td>77.5%</td>
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<tr>
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<td>85.6%</td>
<td>84.4%</td>
<td>83.3%</td>
<td>82.2%</td>
<td>81.1%</td>
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</tr>
<tr>
<td>65</td>
<td>93.3%</td>
<td>92.2%</td>
<td>91.1%</td>
<td>90.0%</td>
<td>88.9%</td>
<td>87.8%</td>
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</tr>
<tr>
<td>66</td>
<td>100.0%</td>
<td>98.9%</td>
<td>97.8%</td>
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<td>95.6%</td>
<td>94.4%</td>
<td>93.3%</td>
</tr>
<tr>
<td>67</td>
<td>108.0%</td>
<td>106.7%</td>
<td>105.3%</td>
<td>104.0%</td>
<td>102.7%</td>
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</tr>
<tr>
<td>68</td>
<td>116.0%</td>
<td>114.7%</td>
<td>113.3%</td>
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<tr>
<td>69</td>
<td>124.0%</td>
<td>122.7%</td>
<td>121.3%</td>
<td>120.0%</td>
<td>118.7%</td>
<td>117.3%</td>
<td>116.0%</td>
</tr>
<tr>
<td>70</td>
<td>132.0%</td>
<td>130.7%</td>
<td>129.3%</td>
<td>128.0%</td>
<td>126.7%</td>
<td>125.3%</td>
<td>124.0%</td>
</tr>
</tbody>
</table>

Source: American Academy of Actuaries.
How should I decide when to start taking benefits?

Some people may be inclined to begin receiving their Social Security benefits as soon as possible, even if it means reduced payouts. Whether this is the best financial decision depends on several factors, including your health, your life expectancy, your current wealth, your tax profile, and your employment status. For most people, delaying Social Security to a later age is a prudent choice. If you retire at age 62, for example, you may be better off withdrawing money from an IRA or 401(k) and waiting until age 70 to start collecting Social Security benefits.

In general, the longer your life expectancy, the more it pays to put off taking Social Security benefits. Even those with average life expectancies will generally benefit from delaying Social Security. For planning purposes, consider factors such as your health and your family’s health and longevity history as well as current life expectancy measures to make an educated guess about your life expectancy.

Another factor in determining when to start your benefits is whether you intend to continue working early in retirement. If you have earned income, you may want to delay taking Social Security and receive higher benefits later.

For those younger than FRA, any earned income that exceeds a set annual threshold may reduce Social Security benefits, but benefits increase after they reach FRA.* Here's how it works:

- If you’re not at your FRA, $1 in benefits will be deducted for each $2 in earnings above the annual limit ($15,720 in 2016).
- In the year in which you reach your FRA, up until the exact month, your benefits will be reduced by $1 for every $3 earned over the annual limit ($41,880 in 2016).**
- Once you reach FRA, your earned income no longer affects your benefits.

How much will I receive?

For a summary of your lifetime earnings record and potential Social Security benefits, go to ssa.gov and click my Social Security to log on or create an account. The primary insurance amount (PIA) displayed is the monthly benefit that you would receive if you claimed Social Security at your FRA. This amount is based on your highest 35 years of income, with earnings through age 60 indexed to reflect increases in U.S. workers’ average wage levels. A more detailed look at the PIA formula appears on the Social Security Administration website.

When evaluating your retirement income plan, remember that you may owe federal income tax—and state income tax in certain states—on up to 85% of your Social Security benefits, as explained later. In fact, according to the Congressional Budget Office, about half of Social Security recipients will owe income taxes on their benefits. You may wish to consult a tax advisor to determine whether you’ll owe tax on your benefits.

The power of longevity protection

Longer life expectancies make waiting to claim Social Security benefits an attractive option—especially for married couples.
Spousal and survivors benefits

If you’re married, some decisions concerning Social Security may affect your spouse. For example, your choice of when to begin taking benefits could affect the level of benefits to which your spouse is entitled. A spouse is entitled to receive Social Security benefits based on his or her own earnings record, but a spouse may also be entitled to spousal benefits. Social Security will pay the higher of the two benefits if the spouse makes a claim before reaching FRA. In addition, your spouse is entitled to survivors benefits if you die first.

Spousal benefits
Your spouse is entitled to spousal benefits of half of your full benefits once you file for benefits—unless your spouse starts to collect benefits before reaching FRA. In that case, your spouse’s benefits are permanently reduced by a percentage based on the number of months until he or she reaches FRA, as shown in the chart on the next page.

If a spouse is eligible for his or her own retirement benefits and for spousal benefits, Social Security pays the retirement benefits first. Then, if the spousal benefits are higher than the retirement benefits, Social Security pays a combination of benefits equaling the higher spousal benefits. By using advanced strategies (as illustrated later), however, a spouse can claim spousal benefits while delaying his or her own benefits to a later age to maximize the total benefits the couple receives.*

Divorced spousal benefits
If you’re divorced but your marriage lasted ten years or longer, you can receive benefits on your former spouse’s record (even if he or she has remarried) if all of the following are true:
• You’re unmarried.
• You’re age 62 or older.
• Your former spouse is entitled to retirement benefits.
• Your own retirement benefits are less than the spousal benefits you may qualify for.**

Survivors benefits
Upon your death, your spouse is entitled to receive the retirement benefit amount you would have been entitled to or were receiving at the time of your death. If you delay taking Social Security until after you reach FRA, you could increase your spouse’s potential survivors benefits.

Divorced spouses’ survivors benefits
If you’re the divorced spouse of a worker who dies, you can receive benefits as a widow or widower if your marriage lasted ten years or longer.

Collecting spousal benefits
Waiting to collect spousal benefits until FRA can increase the amount of the benefits, and no additional benefits can accrue beyond the FRA for the spousal benefit. Spousal benefits can’t be claimed before age 62 and one month.

Portion of husband’s or wife’s full retirement benefit received

*As long as the spouse claiming spousal benefits reached age 62 by the end of 2015, as required by the Bipartisan Budget Act of 2015.

**A divorced spouse may file a restricted application at FRA to claim the divorced spousal benefits and to allow his or her own retirement benefits to increase until age 70.

Source: Social Security Administration website.
Social Security claiming strategies

Those who have the resources to meet basic living expenses without receiving benefits upon retirement have a variety of strategies available. Each strategy may offer an opportunity to maximize benefits throughout retirement and to decrease longevity risk, the risk that you’ll outlive your retirement resources.

The three main claiming strategies available are “start, stop, start,” “restricted application,” and “reset.” The optimal claiming strategy for any individual claimant depends on factors including life expectancy and, for married couples, the value of delaying the higher earner’s Social Security retirement benefits to maximize survivors benefits (if any).

Start, stop, start (voluntary suspension)

How it works

<table>
<thead>
<tr>
<th>Before reaching FRA, the primary earner may begin receiving Social Security benefits.</th>
<th>Pro:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• If you’ve begun taking your Social Security benefits, you can still earn delayed retirement credits and possibly maximize your lifetime benefits and survivors benefits (if any).</td>
<td>• You can meet basic living expenses during the period of deferral.</td>
</tr>
<tr>
<td>• Upon reaching FRA, that spouse may stop receiving his or her Social Security payments and delay resuming benefits until a later date (as late as age 70).</td>
<td>• You’re concerned about longevity risk.</td>
</tr>
<tr>
<td>• Those benefits will have grown as a result of delayed retirement credits.</td>
<td>• You seek delayed retirement credits between your FRA and age 70.</td>
</tr>
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</table>

Trade-offs

<table>
<thead>
<tr>
<th>During the “stop” period, benefits earn delayed retirement credits. If you suspend your benefits for the full four years before their second “start,” they’d be 32% higher than when you suspended them. The delayed credits will also include the program’s annual cost-of-living adjustments for inflation (if any). Your benefits at age 70 would still be less than if you hadn’t claimed reduced benefits at age 62. But they’d still be much higher than if you hadn’t suspended your benefits at your FRA. With this strategy, the “stop” period will fully suspend all of your family’s benefits, which would resume again at the second “start.”</th>
</tr>
</thead>
<tbody>
<tr>
<td>For example, Cheryl is due a $1,000 monthly retirement benefit at her FRA of 66. Her benefit would rise 32% to $1,320 a month (in real, inflation-adjusted terms) if she waits to claim until age 70, but it would be reduced by 25% to $750 a month if she claims early, at age 62. However, that $750 would rise by 32% to $990 a month if she suspends the “stop” at age 66 and resumes the second “start” at age 70. That $990 is significantly higher than $750, but it’s far lower than the $1,320 she’d receive if she waited until age 70 to claim benefits.</td>
</tr>
</tbody>
</table>

Start, stop, start (voluntary suspension)

Delaying Social Security benefits until age 70 allows them to grow to their highest level, whereas beginning to collect at age 62 would reduce them by 25% from what they’d be if you waited until age 66 to claim benefits. The “start, stop, start” (or “voluntary suspension”) rule allows you to begin taking benefits early, stop them at your FRA (by filing a request with the Social Security Administration to suspend benefits), and take advantage of delayed retirement credits until age 70, when you’d begin receiving benefits again. This option can boost your lifetime benefits, and it can help those who begin to collect early but who can’t withdraw their applications—perhaps because they retired early and earn more money in a second career.

During the “stop” period, benefits earn delayed retirement credits. If you suspend your benefits for the full four years before their second “start,” they’d be 32% higher than when you suspended them. The delayed credits will also include the program’s annual cost-of-living adjustments for inflation (if any). Your benefits at age 70 would still be less than if you hadn’t claimed reduced benefits at age 62. But they’d still be much higher than if you hadn’t suspended your benefits at your FRA. With this strategy, the “stop” period will fully suspend all of your family’s benefits, which would resume again at the second “start.”

For example, Cheryl is due a $1,000 monthly retirement benefit at her FRA of 66. Her benefit would rise 32% to $1,320 a month (in real, inflation-adjusted terms) if she waits to claim until age 70, but it would be reduced by 25% to $750 a month if she claims early, at age 62. However, that $750 would rise by 32% to $990 a month if she suspends the “stop” at age 66 and resumes the second “start” at age 70. That $990 is significantly higher than $750, but it’s far lower than the $1,320 she’d receive if she waited until age 70 to claim benefits.*

Restricted application (as long as you reached age 62 by the end of 2015)*

How it works

- Typically, the younger spouse claims Social Security based on his or her own work history.
- When the older spouse reaches FRA, he or she files a restricted application for spousal benefits only (as long as he or she reached age 62 by the end of 2015).
- At age 70, that spouse claims his or her own Social Security benefits, which have grown as a result of delayed retirement credits.

Trade-offs

- Pros:
  - Social Security payments begin early for one spouse.
  - One spouse receives delayed retirement credits, which means survivors benefits could grow.
- Cons:
  - The early retirement reduction would apply if a spouse claims before FRA.

You might benefit if

- You can meet basic living expenses by claiming some Social Security benefits now and more later.
- You’re concerned about longevity risk.
- One of you has already claimed benefits and the other hasn’t.
- One spouse’s benefits after delaying are greater than his or her spousal benefits.

Reset (corrective)

How it works

- Deborah elected to receive Social Security benefits at age 64. She’s now approaching age 65, has gone back to work, and wishes that she’d waited until after her FRA to claim Social Security because she could have received higher benefits. Deborah can pay back all the payments she received, without interest, and file paperwork with the Social Security Administration to stop benefits and withdraw her application. If she does, her retirement benefits can “reset” so that when she collects at a later date, she’ll receive a higher benefit amount based on her age.

Trade-offs

- Pros:
  - You can pay back the benefits interest-free.
  - You have flexibility if your life circumstances change.
- Cons:
  - You must pay back all benefits in a lump sum.
  - This is a once-in-a-lifetime opportunity.

You might benefit if

- You already claimed benefits within the past 12 months, but your circumstances have changed.
- You believe that you can defer your benefits and would prefer to receive delayed retirement credits.

Pros:

- You can pay back the benefits interest-free.
- You have flexibility if your life circumstances change.

Cons:

- You must pay back all benefits in a lump sum.
- This is a once-in-a-lifetime opportunity.

 Reset (corrective)

Deborah elected to receive Social Security benefits at age 64. She’s now approaching age 65, has gone back to work, and wishes that she’d waited until after her FRA to claim Social Security because she could have received higher benefits. Deborah can pay back all the payments she received, without interest, and file paperwork with the Social Security Administration to stop benefits and withdraw her application. If she does, her retirement benefits can “reset” so that when she collects at a later date, she’ll receive a higher benefit amount based on her age.

You can only withdraw and reset your Social Security application one time. If you choose to withdraw your application, you may wish to consider the source of the funds required to return to Social Security. Using taxable assets or taking a distribution from a retirement account may prove to be the most tax-efficient means of raising funds for the payback.

*According to the Bipartisan Budget Act of 2015, signed into law on November 2, 2015.
The Social Security claiming strategy decision can be difficult because it involves a trade-off between receiving some income today and the potential to receive larger benefits later. The inability to meet spending needs or health concerns that reduce one’s life expectancy could influence someone to take Social Security early. For those who can work longer or meet spending needs without claiming Social Security, delaying benefits can offer advantages. The additional income that results from delaying benefits can be a powerful source of longevity insurance and provide a higher level of inflation-adjusted guaranteed income for the rest of the claimant’s life. For couples, the larger of the two benefits becomes the permanent benefit for the surviving spouse after one spouse passes away.

As the chart illustrates, couples have many Social Security claiming options to consider. While delaying benefits for both partners may provide the largest expected lifetime benefits, not everyone can afford to delay benefits until age 70. Couples may want to consider delaying the larger benefit since that benefit will persist as long as one partner is living.

<table>
<thead>
<tr>
<th>Spouse 1/Spouse 2 claiming age</th>
<th>62</th>
<th>66</th>
<th>70</th>
<th>Survivor</th>
</tr>
</thead>
<tbody>
<tr>
<td>62/62</td>
<td>$36k</td>
<td>$36k</td>
<td>$36k</td>
<td>$18k</td>
</tr>
<tr>
<td>62/66</td>
<td>$18k</td>
<td>$42k</td>
<td>$42k</td>
<td>$24k</td>
</tr>
<tr>
<td>66/66</td>
<td>$0</td>
<td>$48k</td>
<td>$48k</td>
<td>$24k</td>
</tr>
<tr>
<td>62/70</td>
<td>$18k</td>
<td>$18k</td>
<td>$50k</td>
<td>$32k</td>
</tr>
<tr>
<td>66/70</td>
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<td>$56k</td>
<td>$32k</td>
</tr>
<tr>
<td>70/70</td>
<td>$0</td>
<td>$0</td>
<td>$63k</td>
<td>$32k</td>
</tr>
</tbody>
</table>

Assumes same-age couple is born 1944–1954 and that each has a PIA of $2,000 per month. Some numbers have been rounded to the closest thousand. Source: Vanguard calculations based on Social Security regulations, 2015.
Claiming strategies for widows and widowers

Widows and widowers, including those who are divorced, may be able to file for survivors benefits as early as age 60 and to receive either their own benefits or their survivors benefits while delaying the other. Depending on the claimant’s age and earnings history, and the age and earnings history of the deceased spouse, strategies are available to maximize lifetime benefits.

For a widow or widower with a lower earnings record than his or her deceased spouse, filing for benefits at age 62 but delaying the survivors benefits until FRA, when it will reach its peak, may make sense. Conversely, a widow or widower with a higher earnings record may be able to maximize benefits by applying to collect survivors benefits as early as age 60 while delaying his or her own benefits until age 70.

Claiming individual benefits early

How it works | Trade-offs | You might benefit if
--- | --- | ---
• The widowed spouse claims Social Security benefits based on his or her own work history. | Pro: • The widowed spouse can collect some benefits early while waiting to collect a larger amount of survivors benefits at FRA. | • You can meet basic living expenses by claiming some Social Security benefits now and more later. • The survivors benefits based on a deceased spouse’s earnings record are greater than the benefits available to the widow or widower based on his or her own earnings record.
• When the widowed spouse reaches FRA, he or she claims survivors benefits. | Con: • The earnings test may reduce the individual benefits if the widow or widower is still working before reaching FRA. | • You can meet basic living expenses by claiming some Social Security benefits now and more later.

Claiming individual benefits early

Nancy is approaching age 62 and considering retirement. Based on her earnings record, her PIA at age 66 (her FRA) is $800. Her husband Gary passed away last year at age 63 before claiming Social Security, and his PIA is $2,100. At age 62, Nancy files for her own benefits, receiving a reduced benefit of $600 per month. At her FRA, Nancy files to collect the full $2,100 monthly survivors benefit based on Gary’s earnings history.

Survivors benefits

How it works | Trade-offs | You might benefit if
--- | --- | ---
• The surviving spouse applies to collect survivors benefits as early as age 60. | Pro: • The widowed spouse can collect survivors benefits early while earning delayed retirement credits for the individual benefits with a larger PIA. | • You can meet basic living expenses by claiming some Social Security benefits now and more later.
• At age 70, the surviving spouse claims his or her own Social Security benefits, which have grown as a result of delayed retirement credits. | Con: • The earnings test may reduce the survivors benefits if the widow or widower is still working before reaching FRA. | • The individual benefit amount for the surviving spouse is greater than the survivors benefits based on the PIA of the deceased spouse.

Survivors benefits

Barbara is age 58 and plans to retire at age 60. Her PIA at age 66 and 6 months (her FRA) is $2,200. Her husband Steven passed away last year at age 56 with a PIA of $1,800. At age 60, Barbara applies to receive a reduced monthly survivors benefit of $1,287. She continues to receive this monthly benefit until age 70 when she can collect the maximum based on her own earnings record, which has grown to $2,816 per month after accruing delayed retirement credits.
Taxation of benefits

Tax planning is an important part of any retirement income strategy, so you should carefully consider the taxation of your Social Security benefits when designing a tax-efficient strategy for your portfolio. Up to 85% of your Social Security benefits may be subject to federal income tax. Whether your benefits will be taxed is based on a provisional income (PI) formula (provisional income is adjusted gross income plus tax-exempt bond interest plus 50% of Social Security benefits), with thresholds detailed in the table below. While retirees with significant income will most likely be subject to the maximum taxation of 85% of benefits, the PI formula and Social Security taxation rules may allow some Social Security recipients to increase their after-tax retirement income, depending on their mix of account types and flexibility around withdrawals. There are three tests of PI, and the smallest of the three determines what becomes taxable:

1. 85% of Social Security benefits; or
2. 50% of Social Security benefits plus 85% of any excess PI over $34,000 for single recipients or $44,000 for married recipients filing joint taxes; or
3. 50% of excess PI over the $25,000 for single recipients or $32,000 for married recipients filing joint taxes plus 35% of the excess PI over $34,000 for single recipients or $44,000 for married recipients filing joint taxes.

Federal taxation of Social Security benefits

<table>
<thead>
<tr>
<th>Provisional income</th>
<th>% of benefits that’s taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td></td>
</tr>
<tr>
<td>$0 to $25,000</td>
<td>0%</td>
</tr>
<tr>
<td>&gt; $25,000</td>
<td>up to 50%</td>
</tr>
<tr>
<td>&gt; $34,000</td>
<td>up to 85%</td>
</tr>
<tr>
<td>Married, filing jointly</td>
<td></td>
</tr>
<tr>
<td>$0 to $32,000</td>
<td></td>
</tr>
<tr>
<td>&gt; $32,000</td>
<td></td>
</tr>
<tr>
<td>&gt; $44,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: IRS publication 915 (2015).

For example, Michael and Patricia are a married couple who are both age 62 and who anticipate a pre-tax retirement income of $75,000 from their Social Security benefits ($24,000) and IRAs ($51,000). Based on their earnings history, their combined PIA is $2,667. Claiming benefits early would result in the annual benefit of $24,000, but waiting until age 70 would mean a yearly benefit of $42,240. Taking benefits early would result in $51,000 in taxable IRA distributions, and 85% of their Social Security benefits would be taxable. Assuming Michael and Patricia have no other income and use the standard deduction, their federal taxes would total $6,698.

Delaying benefits until age 70 would require additional IRA distributions in the years between their retirement and age 70. But after their Social Security benefits start, they would need only $32,760 in required minimum distributions and additional distributions from their IRAs. Using the same assumptions—that is, no additional income and the standard deduction—only 34% of the couple’s Social Security benefits would be taxable, and their federal taxes would total $3,061. Under the delayed benefit scenario, their total taxes would be slightly higher in the years before they claim Social Security benefits, but lower taxes after age 70 would offset the initial tax cost in less than two years.

Developing a sound tax strategy can be difficult to do without professional help, so you might consider consulting a tax advisor.

The effects of delaying benefits on federal taxes

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael and Patricia both start collecting benefits at age 62.</td>
<td>Michael and Patricia both start collecting benefits at age 70.</td>
</tr>
</tbody>
</table>

Disclaimer

If you’d like to discuss any of these strategies further, please contact your financial advisor.

The information in this brochure is for educational purposes only and is based on current Social Security laws. Congress can enact legislation at any time to change the rules governing Social Security.

You may be eligible for some benefits as a widower, divorcee, or family member of a primary Social Security beneficiary. More information about these benefits is available on the Social Security Administration website at ssa.gov.
Advanced claiming strategies for married couples

Married couples who have the resources to meet basic living expenses without receiving benefits upon retirement have a variety of strategies available. Each strategy may offer an opportunity to maximize benefits throughout retirement and to decrease longevity risk, the risk that you'll outlive your retirement resources.

There are three main claiming strategies available to married couples: file and suspend, restricted application, and a combination of the two. If you reached FRA and submitted your request by April 29, 2016, you may elect the file-and-suspend strategy. If your spouse reached age 62 by the end of 2015, you’re grandfathered in for the restricted-application strategy. If you and your spouse meet both requirements, you can use the combination strategy. Most couples would benefit from using the combination strategy, especially if both of them worked, so we’ll explore that strategy first.

Combination strategy (file and suspend and restricted application)

How it works
- At FRA, one spouse (the higher earner—typically both have a substantial earnings record) files for retirement benefits and then immediately suspends payments (must be done by April 29, 2016).
- Then the other spouse (who’s reached age 62 by the end of 2015) files a restricted application for only spousal benefits at FRA.
- Both spouses can benefit from delayed retirement credits because they haven’t claimed benefits based on their own earnings records.
- At age 70, both spouses claim benefits based on their own earnings records.

Pros:
- Each spouse will receive the full delayed retirement credits at age 70.
- Survivors benefits are maximized.

Cons:
- The spouses receive no Social Security benefits before they both reach FRA.

Trade-offs
- You can meet basic living expenses while Social Security benefits are deferred.
- You and your spouse are close enough in age that your benefits will overlap in the window between FRA and age 70.
- Each of your own benefits after deferral are greater than the spousal benefits you’d each receive otherwise.
- You want to maximize both your and your spouse’s Social Security benefits.
- You’re concerned about longevity risk.

You might benefit if

Combination strategy
Susan recently reached age 66 (her FRA), and her PIA is $2,130. Her husband John is age 64, and his PIA will be $1,316 when he reaches FRA. Susan can file for benefits and then immediately suspend her claim. This allows John to file a restricted application for his spousal benefits of $1,065 in two years. Then both John and Susan can claim benefits based on their own earnings records with the full delayed retirement credits at age 70. Susan will receive $2,812, and John will receive $1,737. This strategy maximizes benefits for the surviving spouse ($2,812).

ADDENDUM: THE BIPARTISAN BUDGET ACT OF 2015

According to the Bipartisan Budget Act of 2015, you may still be able to take advantage of these advanced strategies if you meet certain requirements, described below.
Restricted application

Robert is age 62, and his PIA is $1,000. His wife Mary is age 66, and her PIA is $2,496. If Robert and Mary require Social Security income early on, Robert can file and receive his reduced benefits of $750. Because Mary has reached her FRA, she’s eligible to file a restricted application for spousal benefits only. This will allow the benefits on her earnings record to grow to $3,295 at age 70. The benefits to the surviving spouse will be the full $3,295.

You might benefit if

- You can meet basic living expenses during the period of deferral.
- You’re concerned about longevity risk.
- Spousal benefits will be greater than the benefits based on the spouse’s own earnings history, even after delaying.

File and suspend

Linda and Jim are approaching retirement and have decided that they’d like to defer Social Security to grow their benefits. Linda is a year older than Jim and has a PIA of $1,500. Jim’s PIA is $500. They decide that Linda will file and immediately suspend her benefits at her FRA. One year later, Jim can claim spousal benefits of $750. At age 70, Linda will begin to collect benefits based on her earnings record. These benefits will have grown to $1,980 monthly. With this claiming strategy, Linda and Jim have maximized their monthly Social Security payments, and the survivors benefits will be $1,980, adjusted for inflation.

You might benefit if

- You can meet basic living expenses during the period of deferral.
- You’re concerned about longevity risk.
- Spousal benefits will be greater than the benefits based on the spouse’s own earnings history, even after delaying.
Advanced claiming strategies for individuals

These tables summarize two claiming strategies that are available to any individual eligible for Social Security benefits. An individual who doesn’t qualify for another type of Social Security benefits has the option to file for but immediately suspend benefits if he or she reached FRA and submitted the request by April 29, 2016. This strategy allows benefits to continue earning delayed retirement credits until the claimant begins receiving payments and allows the claimant to request a lump-sum payment, if he or she wants to, before beginning to receive benefits. If the claimant chooses to receive a lump-sum payout of benefits that have been held in suspension, he or she will forfeit any earned delayed retirement credits.

File and suspend

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<th>How it works</th>
<th>Trade-offs</th>
<th>You might benefit if</th>
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<td>• At FRA (by April 29, 2016), you can file for benefits and then immediately suspend payments. • If you change your mind about delaying benefits, you can retroactively claim any benefits forgone during the suspension period.</td>
<td>• Enhances flexibility if you’re unsure about your ability to delay. • Provides a lump sum of retroactive payments.</td>
<td>• You’d like to earn delayed retirement credits but are unsure whether you’ll need the Social Security income between FRA and age 70.</td>
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File and suspend

David would prefer to defer claiming benefits until age 70, but he’s worried that he’ll need the Social Security income if an unexpected expense comes up. He decides to file for benefits and then suspend the payments by April 29, 2016, since he’ll have reached his FRA by then. The grandfathering rules of the Bipartisan Budget Act of 2015 provide that if he needs extra money before age 70, he can retroactively claim a lump sum of payments. Additionally, he’ll receive his PIA monthly going forward. In the case of no unexpected expenses, David’s benefit amount will grow, and at age 70 he’ll begin receiving his maximum monthly payment.

Reset (corrective)

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<td>• If you change your mind about receiving benefits less than 12 months after you file, you can withdraw your original claim for Social Security. • You must repay all of the benefits that your family received based on your earnings record. • You can reapply for Social Security later and receive the increased benefit amount resulting from delaying your claim.</td>
<td></td>
<td>• You already claimed benefits within the past 12 months, but your circumstances have changed. • You believe that you can defer your benefits but would prefer to receive delayed retirement credits.</td>
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Reset (corrective)

Deborah elected to receive Social Security benefits at age 64. She’s now approaching age 65, has gone back to work, and wishes that she’d waited until after her FRA to claim Social Security because she could have received higher benefits. Deborah can pay back all the payments she received, without interest, and file paperwork with the Social Security Administration to stop benefits and withdraw her application. If she does, her retirement benefits can “reset” so that when she collects at a later date, she’ll receive a higher benefit amount based on her age. You can only withdraw and reset your Social Security application one time. If you choose to withdraw your application, you may wish to consider the source of the funds required to return to Social Security. Using taxable assets or taking a distribution from a retirement account may prove to be the most tax-efficient means of raising funds for the payback.