



## **What You Need to Know about Changes to Your Social Security Benefits**

### **January 2016**

President Obama recently signed the 2015 budget plan known as the Bipartisan Budget Act of 2015, which contains language that will reduce potential Social Security benefits for millions of Americans in a section of the Act that is known as Title VIII, Social Security Benefit Protection and Opportunity Enhancement Act.

How do these changes affect you and your Social Security benefits? Well, it is going to depend on your age and current filing status. Nearly 1.5 million Americans have the next five months to decide whether to file and suspend their Social Security benefits or suspend if they have already filed. There is a phase-in or grandfathered period between now and six months after the bill is enacted (April 29, 2016) where file and suspend is still in effect - which means a good chunk of Americans (those that will turn 66 by this April) need to act quickly.

First, let's take a look at the law and what it actually means to you.

### **Section 831 - Closure of Unintended Loopholes**

#### **The law says:**

##### *"Deemed Filing*

- Automatically deems a claimant who applies for retirement benefits to have applied for any spousal benefit to which he or she is eligible, for any month in which he or she is eligible.
- Automatically deems a claimant who applies for a spousal benefit based on age to have applied for his or her retirement benefit for any month in which he or she is eligible.
- Effective for individuals who attain age 62 after December 31, 2015. "

#### **What that means to you:**

If you are 62 or older as of December 31, 2015, there will be no changes to this deemed filing rule or to the restricted application strategy.



If you haven't turned age 62 as of December 31, 2015, however, there are two big changes. The deemed filing rule will be applicable regardless of age. After January 1, 2016, if you file for retirement benefits or spousal benefits, you will **be deemed to have filed for both types of benefits**. This means that a person can no longer file for spousal benefits at full retirement age while allowing their own retirement benefit to continue growing. Instead, someone claiming a benefit before full retirement age must file for all benefits for which they may be eligible.

1. This eliminates the restricted application strategy for those who are affected.
2. Deemed filing applies immediately for any person who becomes eligible for either spousal or retirement benefits if that person is already collecting the other type of benefit. (Previously, deemed filing applied when you actually filed.)

### **The law says:**

#### *"Voluntary Suspension of Benefits*

- Prohibits: o any individual from receiving retroactive benefits for a period of voluntary suspension; o any individual from receiving benefits based on the earnings of an individual who has suspended his or her benefits, during the period of suspension; and o an individual whose benefits are suspended from receiving benefits on any other record, during the period of suspension.
- Effective for requests for suspension submitted beginning 180 days after the date of enactment."

### **What that means to you:**

For suspension of benefit requests that are submitted more than 180 days after enactment of the bill (i.e., as of April 27, 2016 or later), there will be three changes:

1. While your benefits are suspended, you **cannot** receive a benefit based on **anybody else's** work record,
2. While your benefits are suspended, **nobody** else can receive a benefit based on **your** work record, and
3. There will no longer be the ability to retroactively **unsuspend**.



Even if you're too young to reach 66 by April 27, 2016, you can still suspend your retirement benefit regardless of what your birthdate is. You just can't provide or receive any benefits to relatives on your work record. For example, if you file at age 62 and decide at age 67 that you wish you had waited, you still have the option to suspend benefits until age 70 and collect delayed retirement credits, which would increase your monthly benefit amount.

### **What can be done now?**

1. If you are at full retirement age ("FRA"), you have until May 2, 2016, to file and suspend your benefit and have your spouse or other family member claim spousal or other dependent benefits off of your record.
2. The changes to the restricted application strategy and the deemed filing rule apply to anyone who turns 62 in 2016 or later. **This means there is still an opportunity for anyone who is already age 62 or older. These individuals can still file a restricted application under this strategy once they turn FRA.**

While these changes will help fund Social Security disability payments, reduced benefits are still reduced benefits and will have a negative impact on many people relying upon these Social Security payments, forcing them to reevaluate their situation.

### **On the bright side:**

- **The changes help simplify difficult decisions.** Social Security claiming strategies had become incredibly complicated. These changes simplify the Social Security claiming decision for millions of Americans. The best strategy hasn't changed. Be patient and wait as long as possible to collect your benefits.
- **The changes demonstrate real governmental action.** This move shows that the White House and Congress are not afraid to make the tough decisions necessary to ensure the long-term success of Social Security.
- **The changes protect the Social Security System.** A reduction in these aggressive claiming strategies will keep more money in the Social Security system and will improve its long-term financial stability. As the title of Section 831 states, these changes close unintended loopholes that have existed for the past 15 years and were primarily utilized by high-income couples. Only a small percentage of people claiming Social Security benefits utilized these strategies all the way up to age 70.



If these changes impact you, be sure to contact your financial advisor and reevaluate your retirement income plan. Don't get caught unprepared and uninformed concerning the changes impacting your Social Security benefits.

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