The Ten Things You Need to Know About Social Security

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There are more than 2,700 rules that govern Social Security. A typical married couple has more than 500 possible ways in which to file for their Social Security Retirement Benefits. If you are divorced or widowed, the filing rules can be even more complex. Agents at the Social Security Administration (SSA) are prohibited from providing advice on filing strategies and tax strategies surrounding your benefits

This is a primer of ten key concepts to understand before you meet with SSA or file for your benefits.

1. **Delaying Benefits to age 70**: By delaying your benefits from age 62 to 70, you will increase your retirement income payment by 76%. Any future cost of living adjustments (COLA) will be calculated against the larger benefit amount and will become even more meaningful toward increasing future income. In fact, every year you delay after you reach your full retirement age (FRA) you benefits will increase 8% per year guaranteed. Although not everyone can afford to wait, it is critical that you understand the financial benefits of delaying and determine if it fits into your planning.
2. **Getting to do it over:** If you have already filed for benefits and wish to undo your election, you can do so up to 12 months from the date you filed. You will need to pay back any benefits received; however, it will allow you to elect an alternate filing election in the future. This may provide you with increased future benefits.
3. **Filing early and suspending later to increase benefits:** If you elected early (age 62) and later on decide to defer your social security income benefits, because you may be working in retirement and not need the income, you have options. Once you have reached FRA, typically age 66-67, you can suspend your benefits. This will allow your benefits to increase by 8% per year (called "delayed retirement credits or DRC's) plus any COLA. This will result in a 32% increase in benefits from ages 66-70 plus COLA.
4. **Increasing your benefits while receiving your benefits:** Your benefits are based on your highest 35 years of averaged indexed monthly earnings. If you continue to work while receiving benefits and your earnings are higher than any of the previous 35 years of indexed earnings, your benefits will be re-calculated to reflect your higher current earnings.

5. **Spousal Benefits:** If you get married, you are eligible for spousal benefits once you have been married for at least one year. At FRA, spousal benefits are equal to 50% of your spouse's FRA benefit. The earliest you could potentially start to receive spousal benefits is age 62.
6. **File Restricted Strategy:** If you turned age 62 prior to the end of 2015 and your spouse has filed for his/her benefits (and you had reached FRA) you may "restrict your benefit to a spousal benefit" and collect 50% of your spouse's primary insurance amount (PIA). By deferring, your benefit will increase by a guaranteed 8% per year each year until age 70. These increases are known as deferred retirement credits (DRCs). At age 70, you may simply switch to your own benefits (presuming they are higher than your spousal benefit). This strategy, which is being phased out, will not reduce any benefits that your spouse is receiving.
7. **Divorced Spouse Right to Benefits:** If you were married for 10 years or longer, have been divorced for at least 2 years, and are not re-married, and you and your ex-spouse are at least age 62, you will be eligible for ex-spousal benefits. These benefits are similar to benefits you would have received if you were still married. Collecting benefits off of an ex-spouse will not affect their benefits nor will it affect any benefits of his/her new spouse if he/she has re-married. Note: you may also be eligible for ex-spousal survivor benefits in the event your ex-spouse predeceases you.
8. **Divorced Spouse Remarries:** If you are divorced and then re-marry, you will no longer be eligible for benefits off of your ex-spouse. However, if you re-marry after age 60 and your ex-spouse dies, you are eligible for ex-spousal survivor benefits even though you have re-married (assuming the criteria noted in #9 have also been met).
9. **Benefits for Survivors:** If you have been married for at least nine months, you will be eligible for Social Security survivor benefits. Once you and your spouse reach FRA, survivor benefits will be 100% of the deceased spouse's benefit amount, including any DRC's. Survivor benefits are available as early as age 60 (or, age 50 if you are disabled) at a reduced amount. For example, at age 60 the survivor benefit is equal to 71.5% of your deceased spouse's FRA benefit.
10. **Early Retirement "Earnings Test":** If you claim your benefits before FRA, you must be careful if you are still working. Social Security imposes an Annual Earnings Test against your earned income. For 2017, the earning limit test is $16,920. If you file early and are collecting benefits before FRA, for every $2 you earn over the earnings limit you must return (or they will withhold) $1 of your Social Security benefit. For example if you earn $60,000 and are an early filer, you are $43,080 over the $16,920 earnings limit. That would mean you would have to return $21,540 of your Social Security benefit for that year. Once you reach full retirement age, there are no earnings limits. Once you reach the month you reach full retirement age, there is no longer a limit on the amount you may earn and your benefits will not be reduced.

The rules governing Social Security are daunting. Understanding the best way to maximize your Social Security income can be difficult. In addition to the numerous rules and filing options, one should also take into account his/her health status, life expectancy, need for income, survivor needs and whether or not he/she will work in retirement. You should consider working with an advisor to ensure you understand all of your options.

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