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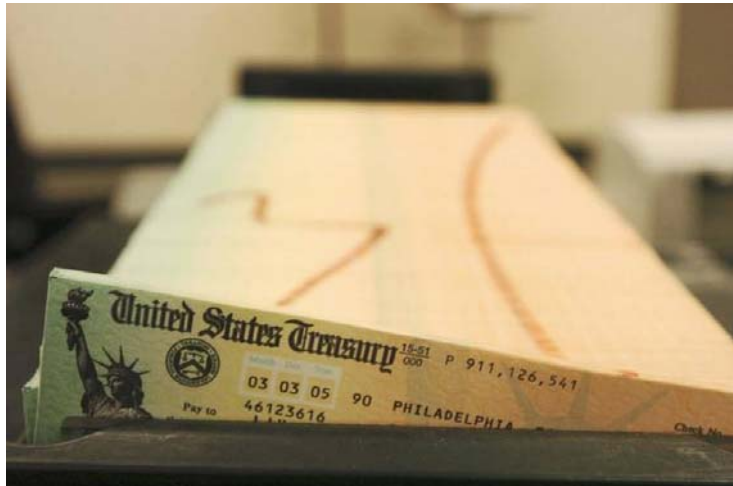
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Money Matters: What's yours is mine

BY MARC C. SHAFFER -

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BRADLEY C BOWER/AP

Over the past few months, I have participated in six weddings. My guess is not a single one of the happy couples had Social Security spousal benefits in mind as they made the decision to merge their lives, both spiritually and financially.

Social Security benefits may seem like less of a concern for these young couples since each of them has decades to go before reaching retirement age. However, for couples currently nearing retirement, the choices they make regarding Social Security can have a dramatic impact on their financial future.

While every couple should choose the Social Security claiming strategy that makes sense for their life situation (ages, life expectancy, level of additional retirement income and tax considerations), it makes sense to utilize the claiming strategy that results in the largest benefits for both spouses.

In June, the Social Security benefits paid out to spouses of retired workers totaled \$1.5 billion. While this amount accounts for those who have retired spouses, your spouse does not have to retire for you to collect spousal benefits or be claiming their own benefits for you to draw on theirs.

It all depends on how and when you each choose to file for benefits. The 'restricted application' strategy and 'file and suspend' strategy could both be utilized to give couples a significant increase in benefits over their lifetime.

The Restricted Application Strategy

If you want to begin receiving benefits but prefer to only receive spousal benefits and not claim your own immediately, you can do so with a restricted application. This allows you to claim benefits under your spouse's earning record while your benefits continue to grow up to age 70. The results of receiving delayed benefits can be a significantly higher monthly payment for life.

Consider this example: Jean, who has reached her normal retirement age, wants to collect a spousal benefit based on her husband's earnings record. She files for a restricted application which lets her collect the spousal benefits while preserving her own benefits and allowing them to continue to grow. When she reaches the age of 70, she can then file for her own benefit amount which would be higher than if she had immediately filed at normal retirement age.

The File and Suspend Strategy

If one spouse earned higher wages than the other, this strategy may help to maximize the benefits of each spouse. It allows the primary wage earner to file for Social Security benefits (making the other spouse eligible to file on the primary's account) and then suspend their benefits so that they can continue to grow their benefit amount up to age 70 while the spouse begins receiving spousal benefits immediately.

Consider this example: Hank and his wife have both reached their full retirement age of 66 but do not have an immediate need to collect retirement benefits. They have both decided to let their credits accumulate to age 70, but don't want to miss out on benefits they are entitled to at this time.

Hank will apply for his retirement benefits and then suspend the payment to allow for the additional delayed credits to accumulate. By doing so, it allows his wife to apply for the spousal benefits while still allowing her own retirement credits to accumulate. Because she has reached her full retirement age, she could receive up to half of her husband's full retirement benefit amount. Therefore, if Hank's benefit totals \$2,000 per month, the spousal benefit brings them \$1,000 each month that they would have forfeited without this strategy.

Spousal benefits are a challenge for many to decipher and the chance of missing out on earned benefits is high. Although the restricted application might make more sense for couples whose earnings are similar and the file and suspend strategy might make more sense for couples where one spouse earned significantly more than the other, the earning differential is not the only factor to consider when deciding which option is best for you. If you are interested in learning more about Social Security, email me at Marc@SearcyFinancial.com (mailto:Marc@SearcyFinancial.com) to request our free resource packet: Maximizing Your Social Security Benefits.

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