What to know about Social Security filing strategy changes

RBC Wealth Management

The Bipartisan Budget Act of 2015 signed into law by President Obama on November 2, 2015 includes impactful changes to how retirees may elect to receive Social Security benefits. While the effective date of the legislation began for some provisions on November 2, it is important to know how the remaining provisions will impact you as they are phased in. Different rules will apply depending on your age.

"Filing restricted application" strategy

If you are age 62 or older as of January 1, 2016 you may continue to elect to file a restricted application for spousal benefits once you reach your full retirement age. This means you will retain the right to collect just spousal benefits starting at full retirement age (66), assuming your spouse has already claimed retirement benefits or has requested to file and suspend their benefits within six months after enactment of the law.

If you are younger than age 62 on January 1, 2016 you will no longer be able to elect restricted filing as a strategy, as the "deemed filing" rules are extended to age 70 for your age group. If you are entitled to two Social Security benefits (on your own record and as a spouse) you will be required to file for all benefits at once and will be able to collect only on the higher amount. You will not be able to claim a spousal benefit first as under current law and then switch to your own retirement benefit at a later time.

"File and suspend" strategy

As of 180 days from the enactment of the act, file and suspend will no longer be an effective strategy for married couples. After that date, once a benefit has been suspended any benefits tied to that record (spousal, child, etc.) will also be suspended until the primary benefit record owner starts receiving benefit payments.

If you have already filed and suspended benefits (or file and suspend within 180 days of enactment) you may continue to operate under the rules related to file and suspend that existed prior to this budget act.

Lump sum retroactive benefits

If you have currently suspended benefits (or plan to suspend benefits as of 180 days from the enactment of the act) and intend to receive a lump sum retroactive benefit at a later time (sometimes called a "reinstatement of previously suspended benefits"), the ability to receive this payment will still be available after implementation of the Act. Anyone that suspends benefits after 180 days from the enactment will no longer be able to claim a lump sum reinstatement of previously suspended benefits.

Divorce (ex-spouse) benefits

If you are divorced, suspension of benefits by an ex-spouse will not affect the party receiving spousal benefits. This operates the same as it does today as there is no requirement the ex-spouse needs to file to trigger spousal benefits for the other party. The restricted application elimination will apply for ex-spouse benefits if you are under age 62 as of January 1, 2016. If you are 62 or older by this date, you may still restrict your application to receive only benefits related to the ex-spouse's earnings record once you reach full retirement age. Younger divorced spouses will not have that option.

Survivor benefits

Survivor benefits are not affected by either of these provisions. Filing a restricted application for survivor benefits will continue to be an available option for widow(er)s after the act goes into effect.

Get professional assistance

If you have questions about how these changes may affect you, please contact your RBC Wealth Management® financial advisor.

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