ACT NOW! FREE MONEY! TIME IS RUNNING OUT!

By Ben Kiniry

Do you like free money? What if I told you there is free money earned by you over your lifetime, but no one has told you about how to acquire this free money. I'm well aware this sounds too good to be true, and you're thinking it's not true or perhaps even illegal. Below, I discuss a few strategies regarding Social Security retirement benefits that you will want to know and act on, NOW.

Basic Retirement Benefit

Well for starters, you will want to understand the Social Security retirement structure as it relates to your chosen age of applying for your retirement benefit and the amount of your benefit. Currently, you must be age 66 to receive full retirement benefits. At this age you will receive what is considered 100% of your benefit. But wait there is more (or less)!

Less Money: You could choose to apply for your retirement benefit at age 62. If you do, then you will receive a decrease from your full retirement age benefit of approximately 25%. I say approximately 25% because the Social Security Administration also does a cost of living adjustment (COLA) almost every year (the sum of all COLAs from 2012-2015 totals 8.5%), which is not always considered by those doing a benefit calculation. As can be seen, anyone who turned 62 in 2012 and applied for their benefit received a decreased benefit amount of approximately 33.5% in relationship to their counterparts that have or will apply for full benefits in 2016.

Even More Money: On the other end of the spectrum, those who put off applying for their 100% full retirement age benefit, from age 66-70 will receive an additional increase. How can that be? Age 66 is 100%. You can't have more than 100%, right? Wrong! For each year that you do not file for and receive benefits from age 66 through age 70, the benefit amount goes up an additional 8% per year (please don't forget to consider those hidden COLAs). So let's do some math here.

Add It All Up: For those who forego applying between ages 62-66 there is an increase in benefit of at least 25%, plus cost of living adjustments (8.5%). If they continue to defer until age 70, there is an additional increase of 32%, plus four more years of potential COLAs. With the numbers utilized and using an annual COLA of 1% per year (4 years), the total difference in benefit by differing to age 70 is a **69.5% increase** in benefit over the age 62 benefit that would have been received.

What is the Opportunity Cost?: Alright, that sounds great, but let me play devil's advocate. First off, I have the clients who simply say, "I'm going to die before it will be worthwhile" or "I need the money NOW." Fair enough, if those things are true. There is also the argument that if you receive the money now, and invest, those years of payments add up. I agree they do. However, I have run the num-

bers with the help of Certified Financial Planners and Certified Public Accountants to figure out the approximate break-even point(s)(as you should).

I've seen calculations that show break-even points anywhere from ages ranging from the mid-70's through mid-80's. Therefore, the key question is "How long do believe you, or your spouse, will live?" So why apply at a later date?

I have said to many clients "if you don't have a serious health issue, then I would have you conduct your planning as though you going to live until age 90, as you will make better financial choices."

Some clients respond with something like "my benefit amount is enough to pay for my desired life style." My response is "today that may be true, but in 28 years, when you are age 90, it may not be. You should also consider that for some people at age 62 it's a *choice* to stop working, whereas at age 90 you're not nearly as likely to go out and become gainfully employed if you can't pay your bills."

In the end you don't want *90 year old you* angry at the *62 year old you,* for *choosing* to stop working when you didn't account for the increase in the cost of living 28 years from now and the quality of life that goes with it on a fixed income.

Return Policy. You may be thinking it's too late for me, because I filed for my benefit in the last year, **WRONG**! If you are between the ages of 62 and 66 and filed for benefits in the last year, you may withdraw your claim and pay back the benefit dollars received and then defer receiving your benefits as outlined above (but be aware that you can only do this once).

File and Suspend for Couples

Just as the heading indicates, you may file for your Social Security benefit and then suspend the benefit. Why would you do this? For the free money, if you want it.

How does this work you ask? Good question, perhaps a real life example will help (names have been changed to protect the innocent). Husband Harry and wife Wanda have been married for forty years. Wife Wanda is 66 years old and husband Harry just turned age 62. Wife Wanda, an accounting expert, has earned a rather high income for many years. Husband Harry has earned lower wages and spent some years taking care of his grandchildren (like you, he loves his grandchildren).

Wife Wanda has decided to keep working, perhaps a year or two, or three, or four (sound familiar). So you say, "Ben, where is the free money already?" Okay, here it is. Wife Wanda applies for her benefit and then suspends (informs Social Security she changed her mind). Next, husband Harry applies for a spousal benefit, not on his work record, but on Wanda's. Husband Harry now receives $1,300.00 a month and meanwhile, as you learned earlier, wife Wanda's benefit amount continues increasing at a rate of 8% per year (plus COLAs). So it is possible that husband Harry will receive the sum of $1,300.00 per month for years (that is $15,600 per year of free money).

The file and suspend strategy is set to be **terminated on May 1, 2016**, by the Bipartisan Budget Act of 2015. I would encourage you to look into this if, and only if, you like the idea of free money.

Suspend Only

A single individual who has been receiving his retirement benefit prior to age 66, may suspend his benefit at age 66

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