Retirement 2.0

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What your clients mean when they talk about retirement

Secret weapon for maxing out Social Security? Your spouse

With the right elections, married couples can dramatically up their payouts

By **Mary Beth Franklin**

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Hardly a day goes by that I don't receive an e-mail from *InvestmentNews* readers about Social Security claiming strategies. I usually respond to them privately, but this was such a good question from a financial adviser in Los Angeles, that I wanted to share it with a wider audience.

Better half can result in better check

Sean wants to know if both a husband and wife can each claim a spousal benefit based on the other's earnings record. The short answer is no, but there are still ways for married couples to coordinate and maximize their Social Security benefits. Apparently there have been several press reports recently that muddied the waters on this issue. As usual, I went straight to the source — the Social Security Administration — to set the record straight.

If both spouses waited until their normal retirement age — currently 66 — one could file and suspend and delay collecting his or her benefits until age 70 when they are worth the maximum amount. Social Security benefits increase by 8% per year for every year you delay collecting between ages 66 and 70. So if you wait until age 70 to claim, your retirement benefits will be worth 132% of what it would have been at your normal retirement age of 66.

By filing and suspending, you are telling the Social Security Administration that you want to file for the purpose of triggering benefits for your spouse, but delay collecting your own until they will be worth more later.

Let's say the husband is entitled to $2,000 per month at age 66. His wife's spousal benefit would be worth half of his full retirement benefit — $1,000 per month in this case — if she collects at 66; less if she collects earlier. The earliest you can collect a spousal benefit is age 62. In that case, her spousal benefit would be worth 35% of the worker's full amount — $700 per month — rather than $1,200 because she collected it four years early.

But if the wife also waits until her normal retirement age, she could file a restricted claim for spousal benefits only. That means she would collect $1,000 per month, which is half of her husband's full retirement benefit that he didn't collect. And because she restricted her claim to spousal benefits only, her own retirement benefit would accrue delayed retirement credits of 8% per year until she claimed the maximum amount at age 70.

Let's review. The husband's full retirement benefit at age 66 is $2,000 per month but he files and suspends so he will delay collecting until age 70 when it will be worth $2,640 per month. The wife files a restricted claim at age 66 for spousal benefits only and receives a spousal benefit of $1,000 per month. Let's say her own benefit, which she defers, is worth $1,800 per month. At age 70, it would be worth $2,376.

Assuming they are both the same age, their combined Social Security benefit at age 70 would be $5,016 per month compared to $3,800 if they had each collected benefits at their normal retirement age. In addition, the larger benefit will serve as a bigger base for future cost of living adjustments and lock in the largest survivor benefit for the wife if the husband dies first.

Bottom line: husbands and wives cannot each claim a spousal benefit, but both can maximize their benefits by waiting until 66 — what I like to call the “magic age” — to elect a claiming strategy. One can file and suspend. The other can restrict the claim to spousal benefits only. And both can earn delayed retirement credits to maximize their benefits.