

The top 10 Social Security questions

By Mary Beth Franklin



The complexities of Social Security's more than 2,800 rules continue to baffle financial advisers as they strive to create secure retirement income plans for their clients.

Here is a representative collection of questions that I have received from *InvestmentNewsreaders*.

Age determines spousal benefit amount



Question: If a husband claims reduced Social Security benefits early at 62 and his wife is full retirement age at the time, will her spousal benefit be worth 50% of the reduced benefit or 50% of his full retirement benefit?

Answer: The maximum spousal benefit is worth 50% of the worker's Primary Insurance Amount (PIA) if it is collected at full retirement age or later. Because the wife is 66, she will receive 50% of her husband's full PIA, not 50% of the reduced amount.

Early benefits are permanently reduced



Question: If the lower-earning spouse claims reduced Social Security benefits at 62 on her own earnings record, will she step up to 50% of her husband's full benefit when he eventually claims Social Security?

Answer: No. Because the wife claimed Social Security early, her benefits are permanently reduced.

Once her husband claims his Social Security, she may step up to a larger spousal benefit if it is bigger than her own, but it would still be worth less than half of his PIA.

Lump sums available after full retirement age



Question: A client's full retirement age is 66. He files for Social Security benefits one year later at age 67. His wife is also 67. The adviser recommends that the wife file a restricted claim for spousal benefits only and switch to her own larger retirement benefit at 70. Will the wife receive half of the husband's age 67?

Answer: No. The maximum spousal benefit is 50% of her husband's PIA, not half of his current higher amount. But because the wife was older than her full retirement age when she filed a restricted claim for spousal benefits, she can also request a lump sum retroactive benefit of six months of spousal benefits. A maximum six months of retroactive benefits, beginning no sooner than full retirement age, can be paid out in a lump sum.

Retirement age of 67 means greater reductions



Question: For those workers born in 1960 or later, does having a full retirement age of 67 mean they can't claim early reduced Social Security benefits until age 63 or that they have to wait until age 71 to collect four years of delayed retirement credits?

Answer: No to both questions. Workers whose full retirement age is 67 can still claim Social Security as early as age 62, but the reduction is more. They would receive 30% less in benefits at 62 compared to a 25% reduction for those whose FRA benefit is 66. The maximum age for delayed retirement credits remains at 70. That means workers whose full retirement age is 67 can collect a maximum of three years of delayed retirement credits, boosting their full retirement age benefit by 24%.

Widows can switch benefits



Question: A client, who was collecting his full retirement age benefit of \$1,650 per month, died recently. His widow is 63. Her own full retirement age benefit is about the same as her late husband's, but would be worth about \$600 more per month if she waited until age 70 to collect. Can she file for his benefit now and let hers grow until age 70?

Answer: Yes, surviving spouses can collect reduced benefits as early as age 60 and switch to their own retirement benefit at age 70. At age 63, her survivor benefit would be worth about 86% of her late husband's benefit. However, if she continues to work and is younger than full retirement age, she could be subject to earnings restrictions. In 2015, she would forfeit \$1 in benefits for every \$2 earned over \$15,720. The earnings cap disappears at full retirement age and forfeited benefits are restored.

Family benefits are prorated based on limits



Question: My husband, who is 66, filed and suspended his Social Security benefit so he could trigger family benefits for me and our 10-year-old child while he defers collecting his retirement benefit up to age 70. Although my son and I are each entitled to 50% of his full retirement age amount, our benefits were reduced. Why?

Answer: Even though your husband suspended his benefits, his PIA is still calculated in the family maximum amount. Consequently, the family benefits — child and caregiving mother — are prorated if the total family benefits exceed 150% to 180% of the worker's PIA. Your husband's suspended benefit counts as 100% of his PIA so you and your son's benefits are reduced.

Ex-spouses may still be able to claim benefits



Question: One of my clients, who was married for more than 30 years, recently divorced. Can she collect Social Security benefits on her ex-husband's record? What happens if she remarries?

Answer: Because her marriage lasted more than 10 years, the client can collect Social Security benefits on her ex-husband just as if she were still married. That means if she claims before full retirement age, she would be paid reduced benefits on her earnings record first, topped off by an additional amount if her spousal benefit were larger. But if she waits until her full retirement age, she can restrict her claim to spousal benefits and allow her own benefit to continue to grow up until age 70. If she remarries, she loses the right to collect as an ex-spouse, but if she waited until age 60 or older to remarry, she would retain the right to collect survivor benefits on her ex.

Social Security claim triggers Medicare



Question: If a client files and suspends his benefits at age 66 to trigger benefits for a minor child and spouse, will that require him to enroll in Medicare Part B? He is still

employed and has company-provided medical insurance.

Answer: No. As long as he has health insurance through a current employer, he does not have to sign up for Medicare B, which costs most beneficiaries \$104.90 per month. But because he is older than 65 and has filed for Social Security (even though benefits are suspended) he must sign up for Medicare Part A, which is free.

Public pension reduces Social Security



Question: I have a client who is a retired Texas school teacher and her husband has always worked in the private sector. Her teacher's pension is \$1,300 per month. She has no Social Security benefit of her own. Her husband's full retirement age Social Security benefit is \$2,800 per month. Is she entitled to a Social Security spousal benefit or a survivor benefit if he dies first?

Answer: Because she receives a pension from work where she did not pay FICA taxes, any Social Security spousal benefit or survivor benefit would be reduced by Government Pension offset (GPO) rule. Essentially, her Social Security spousal benefit or future survivor benefit must first be reduced by 2/3 of the amount of her teacher's pension (\$858 per month).

The most common question



Question: Can a wife collect a spousal benefit worth half of her husband's Social Security benefit amount when she is 62 and switch to her own larger benefit later?

Answer: No. Any time you claim benefits before full retirement age, Social Security will pay benefits based on your own earnings record first, reduced for early claiming. If you are also entitled to a spousal benefit, your benefit would be topped off to bring the combined total up to the spousal amount, also reduced for early claiming. If the wife wants to collect only spousal benefits initially, she must wait until her full retirement age to file a restricted claim for spousal benefits and switch to her own larger benefit at 70.