



File-and-Suspend Is Ending!

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They say all good things must come to an end. Unfortunately that's the case with the popular strategy designed to maximize social security benefits called file-and-suspend.

The concept of file-and-suspend is quite straightforward. A person who has reached full retirement age (age 66), files for benefits but then suspends the benefits without receiving any payments. The end result renders a spouse able to receive benefits while the person who files remains eligible to earn delayed retirement credits. Each year of deferring credits allows an accumulation of more credits—effectively raising monthly benefits 8% a year, which is considerably higher than the inflation rate.

Pretty simple math confirms that it's a smart strategy which allows couples to earn extra money now while accruing additional money for later years as well. In fact, Boston University Professor Laurence Kotlikoff estimates that file-and-suspend can boost lifetime Social Security benefits for many couples by \$50,000.

But remember I said all good things must come to an end? By next May, the file-and-suspend strategy will no longer be an option for retirees. The Bipartisan Budget Act of 2015 that was signed into law on November 13 will close what lawmakers are calling the file-and-suspend "loophole" just six months after the President signs it into law.

The original rationale behind the file-and-suspend strategy was to encourage more seniors to continue working. The new rationale behind ending it is that it was becoming a drain on the Social Security system. The Obama administration further says it was an "aggressive" claiming strategy that mostly benefits only wealthier retirees.

So what now? Fortunately, those who have already filed and suspended will be allowed to continue with the program. Couples who will become eligible between now and May need to act quickly while the option is still on the table.

Increasing your current and survivor Social Security benefits should be a top consideration when you make your claiming decisions. File-and-suspend can help you maximize those benefits. At least for now.