



# The Legacy Report

Volume 8, Issue 1, January, 2016

## ***Did You Hear What Just Happened With Social Security?***

*Congress just eliminated two popular strategies used to get greater retirement benefits.*

### **If you want to claim Social Security benefits soon, keep a date & a number in mind.**

The date is April 30, 2016. The number is 62.

Recent changes to the Social Security benefit rules have made that date and that number very important, especially for those about to retire.

In October, Congress passed a new federal budget. In doing so, it shut down the file-and-suspend and restricted application claiming strategies for Social Security, which married couples used to try and maximize their combined retirement benefits.<sup>1</sup>

Broadly speaking, the point of both strategies was to generate spousal Social Security benefits for a couple while they suspended their own, individual benefits (thereby allowing those individual benefits to grow by roughly 8% per year from age 62-70 until claimed).<sup>1</sup>

**After April 30, 2016, the door will shut on the file-and-suspend strategy.** The strategy worked like this: when one spouse reached Social Security's Full Retirement Age (66), that spouse claimed Social Security but then immediately suspended their retirement benefits. The other spouse could then claim a spousal benefit while their deferred, individual Social Security benefit grew 8% annually.<sup>2</sup>

**You may still be able to use the file-and-suspend strategy before the door closes.** Are you married? Are you 66 or older right now, or will you be 66 years old by April 30, 2016? If your answer is "yes" to both those questions, then you and your spouse still have a chance to use the strategy. That chance disappears forever on May 1. (It may be risky to wait until April, when the Social Security Administration may have a backlog of applications on its hands.)<sup>2</sup>

If you are still eligible to file-and-suspend and you miss the April 30 deadline, you could end up leaving anywhere from \$10,000-60,000 in lifetime Social Security income on the table.<sup>1</sup>

One asterisk to all this: the file-and-suspend strategy will still be permitted for individuals. A person can still file for Social Security benefits and voluntarily suspend them, with his or her deferred, individual Social Security benefit increasing by about 8% a year until age 70.<sup>3</sup>

**Why is the number 62 now so important?** Starting in 2016, someone turning 62 will no longer be able to file a restricted application for only spousal benefits. In other words, the door is closing on the restricted application claiming strategy.<sup>1</sup>

That strategy worked as follows: between age 66 and age 70, one spouse would file a restricted application to claim spousal Social Security benefits while deferring their individual benefits until age 70. At 70, they switched from the spousal benefit to their own larger Social Security benefit.<sup>2</sup>

In 2016 and future years, spouses newly eligible for Social Security will be given a simple and irrevocable choice. They can take either their spousal benefit or their own benefit, whichever is larger. They will not be able to defer their own benefit until age 70 and then switch out of their spousal benefit at that time to their own, larger benefit.<sup>2</sup>

The good news? If you are 62 or older by the end of 2015, you can still file a restricted application for only spousal benefits. That could be a smart move if your spouse will be getting Social Security when you hit full retirement age (FRA) and you file for your spousal benefits on their earnings history.<sup>2</sup>

**One other option is also going away.** Under the new Social Security regulations, a Social Security beneficiary cannot file for benefits, suspend them for X years, and then retroactively request the suspended benefits as a lump sum payout years later. For example, if you file for Social Security at age 63, suspend benefits and then elect to receive your benefits at age 66, you will simply start getting the monthly Social Security income you deserve at age 66. No lump sum of deferred Social Security income will be waiting for you.<sup>2</sup>

**If you are peeved by all this, you are not alone.** Many baby boomers viewed the file-and-suspend and restricted application strategies as techniques they could use in the near future to arrange greater

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# Holiday Part



# December 2015 Photos



## Introducing Legacy's Newest Member



**Lisa Yegge, FLMI, CCP**

You may have noticed Lisa around the office. She joined Legacy in June and is currently on track to become an adviser.

Lisa's prior experience includes MidAmerican Energy Company Human Resources for two years, and Principal Financial Group for 23 years in the areas of 401(k), accounting, business analysis/technology liaison and project management. Lisa believes the key to long-term relationships, whether personally or professionally, are integrity, trust and communication. She also believes health and financial wellness are integral to retirement planning. Spending time with friends and family are important to Lisa, and she enjoys working out, exercise activities, and is a big fan of the Iowa State men's basketball team.

## Upcoming Event Market Update

Thursday, January 28, 2016

Noon - 1:00 PM

Location: Legacy Classroom

We'll provide the sandwiches!  
RSVP to [Kathy@LFGplanners.com](mailto:Kathy@LFGplanners.com).





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### Our Advisors are here for you...



Brian J. Hood,  
CFP®



Mike Banasiak,  
CFP®



Scott Arnburg

Please contact us if you have any questions about your financial planning:

515-334-5266

### Did You Hear What Just Happened With Social Security?

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retirement income. Congress simply saw loopholes that needed closing.

**Does waiting to claim Social Security until age 66 or 67 still make sense?** For many couples – particularly those in good health – it still does. While the sun is setting on the chance to receive some spousal benefits while you wait, the basic math of Social Security remains the same. The longer you wait to file for benefits, the larger your monthly individual benefits will be, up until age 70.

**Questions about how your benefits may be affected?** Contact your Legacy adviser at (515) 334-5266.

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#### Citations.

- 1 [nytimes.com/2015/12/05/your-money/the-end-of-social-security-loopholes-what-now.html](http://nytimes.com/2015/12/05/your-money/the-end-of-social-security-loopholes-what-now.html) [12/5/15]
- 2 [money.usnews.com/money/retirement/articles/2015/12/04/say-goodbye-to-the-social-security-file-and-suspend-strategy](http://money.usnews.com/money/retirement/articles/2015/12/04/say-goodbye-to-the-social-security-file-and-suspend-strategy) [12/4/15]
- 3 [marketwatch.com/story/key-social-security-strategies-hit-by-budget-deal-2015-10-30](http://marketwatch.com/story/key-social-security-strategies-hit-by-budget-deal-2015-10-30) [11/2/15]