

TAX TIPS

BE IN A POSITION OF STRENGTHSM

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SECURING EXTRA DOLLARS FOR YOUR RETIREMENT

The average life expectancy is now 78 years old, a record high for our country, so we can expect to spend more time in our retirement than any previous generation. Therefore, it is more important than ever to fully understand the Social Security system in order to maximize your benefits. Factors to consider in determining when to start receiving Social Security benefits include:

1. Life expectancy
2. The compounding effect of future inflation increases
3. The impact to benefits that would be received by a surviving spouse; and
4. The earnings test for those who are still working and receive benefits before full retirement age.

Following are some strategies that could pay you an additional \$1,000 or more per month for every year of your retirement. While everyone will not be eligible for these tactics, qualifying for even one of these strategies could earn you tens of thousands of dollars in additional income over your lifetime.

The “Spouse Benefits” Strategy

The “Spouse Benefits” provision, which is available to any married couple provided both spouses are eligible, pays you a monthly check worth up to 50% of what your spouse is entitled to collect. To take advantage of this benefit, one of the couple, preferably the lower earner (the wife, in this example), files for benefits under her own work history as soon as she becomes eligible at 62. Instead of collecting his own benefits, the higher earner (the husband) waits to reach full retirement age at 66, at which point he files for spouse benefits. He will receive 50% of what his wife is collecting.

When the husband decides to file for his own benefits, say at age 70 (the longer he delays filing, the higher his eventual payments), his wife can continue to collect her benefits, plus file for spouse benefits based on her husband’s benefits. Combined, she will now be paid 50% of what her husband receives.

The “Claim and Suspend” Strategy

This strategy utilizes the spouse benefits option mentioned above, and is similar such that it is beneficial if one spouse makes significantly more money than the other. First, file for Social Security when you reach full retirement age. Your spouse can now apply for and begin collecting spouse benefits. Once your spouse has applied, you immediately suspend your own benefits. Even though your benefits have been suspended, your spouse is still able to collect the spouse benefits based on your work record. Meanwhile, your monthly benefits continue to build so that you can collect more money later, at which time your spouse will get another increase.

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Not only can these two methods add thousands of dollars to your annual income, but if the higher wage-earner dies first, his spouse will get much better benefits than she would have if they'd both started collecting their Social Security once they were eligible.

However, there are some important qualifications for both of these strategies. Both spouses must be at least 62, and if you start collecting Social Security or spouse benefits before you turn 66, you are locking into a permanently lower percentage for your spouse benefits.

The "Do-Over" Strategy

While you become eligible for Social Security benefits at 62, you are only collecting about 70% of what you would have earned if you had waited until you had reached full retirement age (and 35% if you are collecting spouse benefits). This tactic allows you to begin collecting benefits once you are eligible and then restart them at a higher rate later on. It is available to anybody who has collected Social Security; however, you need a significant amount of money saved up in order to utilize it. Here's how it works: Apply for benefits when you turn 62. Then, at full retirement age, you withdraw your application, repay all the money you received thus far (interest free), and reapply at your higher, "delayed retirement benefits" rate.

Since the money you pay back to the government is interest free, you can also use this strategy to make extra money. All you have to do is start collecting once you become eligible, invest the money you receive in a safe security, then reset your benefits at a higher rate a few years later. At that point, you cash out your holdings, return what you've collected from Social Security without interest, keep the remainder, and begin collecting benefits at a higher rate. Keep in mind that widows and widowers cannot use this opportunity to improve their deceased spouse's benefits.

Of course, this option isn't for everybody. Your repayment could be anywhere from \$25,000 to \$100,000, and it takes approximately 12 years to make this money back and you need to make sure your coverage under Medicare will not be interrupted. However, compared to an annuity, this is the cheapest route to getting more guaranteed income for the rest of your life.

It is your right to maximize your Social Security benefits, as you paid into this fund through your labor during your working years. However, keep in mind that these strategies do not make sense for everyone. For additional information on all of the above and other Social Security strategies, please contact your local WS+B office to explain how these techniques work and help you implement them.

If you have any questions please contact your local WS+B office:

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