



SOCIAL SECURITY BENEFITS: 2016 CHANGES AND HOW YOU COULD BE AFFECTED

There has been quite a bit of discussion in the news regarding the coming changes to Social Security benefits, which will be effective surprisingly soon. As a result of the Bipartisan Budget Act of 2015, which was signed into law Nov. 2, significant changes will ensue for those planning to implement a Social Security claiming strategy. Two frequently used Social Security claiming strategies, “Restricted Applications” and “File and Suspend,” will be phased-out over the next 6 months to 4 years.

With a restricted application, a spouse at full retirement age (generally age 66) will file for spousal Social Security benefits only, which are equal to one-half of the other spouse’s full retirement age Social Security benefit. As a result, the spouse who filed the restricted application could

still defer their own Social Security retirement benefit until as late as age 70 (deferred Social Security benefits increase 8 percent annually between full retirement age and age 70). Essentially, a spouse would then receive some Social Security income beginning at age 66, while still deferring their own larger Social Security benefit until age 70.

For those electing to “File and Suspend:” One spouse at full retirement age will elect to begin receiving their Social Security benefit, but then immediately suspend their benefit. This enables the other spouse to begin receiving a spousal



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Social Security benefit (or file a restricted application) equal up to one-half the filing and suspending spouse's full retirement age Social Security benefit. The spouse who filed and suspended could then still defer their own Social Security retirement benefit until as late as their age 70. Again, this strategy enables some Social Security income beginning at age 66, while still deferring larger Social Security benefits until age 70.

As a result of the changes to Social benefits, restricted applications will now only be available to those who are at least age 62 by the end of 2015 (born in 1953 or earlier). Those wanting to File and Suspend Social Security benefits will now only be able to until April 29, 2016, and you must be at least age 66 (full retirement age) by April 29, 2016. No one currently receiving Social Security benefits, however, will be affected by the Social Security changes. This has created some confusion among Social Security recipients, as the final revisions to this law were different from the House's initial version of the bill (the House's initial version of the bill would have affected current Social Security recipients effective April 29, 2016). Here is a summary of the changes:

- ▶ Changes are scheduled to take effect May 1, 2016 (180 days from the bill becoming law on Nov. 2, 2015). Those already receiving any form of Social Security benefit will be grandfathered in. If someone is currently receiving a restricted Social Security benefit, no changes will result.
- ▶ The ability to file and suspend a Social Security benefit is only available through April 29, 2016. Effective May 1, 2016, you cannot file and suspend a benefit in order to enable a restricted application benefit or spousal/family benefit. In the future, if any benefit is suspended, all benefits associated with that individual's earnings history are also suspended. Both the deferred retirement benefit and spousal benefit will be deferred until the benefit is begun. Therefore, it is possible to file and suspend, but no one would receive a Social Security benefit until the filer reaches age 70. Those who will be age 66 by April 29, 2016, can still file and suspend their benefit in order to trigger spousal benefits under the "old rules." If someone is currently filing & suspending (or requests it by April 29, 2016) and the spouse was born in 1953 or earlier, the spouse will be able to claim a restricted application at their full retirement age.

- ▶ Restricted applications will no longer be available to those born in or after 1954. A person must be age 62 or older in 2015 in order to file a restricted application at their full retirement age (assuming their spouse has either claimed a Social Security retirement benefit or filed and suspended their benefit by April 29, 2016). Those born in 1954 or later cannot claim a restricted application benefit. They will receive the larger of their own retirement benefit or spousal benefits, whichever is larger, regardless of age. They cannot claim a restricted application and get spousal benefits and later switch to their own deferred retirement benefit.
- ▶ After April 29, 2016, no lump-sum payout of suspended benefits is available for someone who filed and suspended. We believe the only practical use for filing and suspending after April 29, 2016, is for someone who claimed a retirement benefit before their full retirement age, and that individual now wants to suspend benefits from their full retirement age until age 70.
- ▶ Social Security survivor benefits are unaffected. Social Security survivor benefits will continue to be different from Social Security retirement benefits. Therefore, survivors can still optimize the timing to claim benefits. They can claim a survivor benefit and switch to a retirement later, or vice versa.
- ▶ There are no changes to deferred Social Security claiming. Assuming full retirement age is age 66, a deferred Social Security benefit is worth 132 percent of the age 66 benefit, plus cost of living adjustments.

The chart on the next page summarizes the changes to Restricted Applications and File and Suspend claiming strategies by age and marital status.

Note: These changes will most immediately and significantly affect clients who will be age 66 (full retirement age) by April 29, 2016, but who have not yet filed for Social Security benefits. Additionally, it is worth noting how Social Security survivor benefits (in conjunction with any Social Security retirement benefits) and current restricted Social Security application recipients will be unaffected, as there has been quite a bit of confusion associated with those benefits (partly due to the House's initial version of the bill).

NEW SOCIAL SECURITY CLAIMING STRATEGIES WITH EFFECTIVE DATES OF IMPLEMENTATION

DATE OF BIRTH	MARRIED		SURVIVING SPOUSE	DIVORCED (and currently unmarried, but previously married for at least 10 years)		PARENTS WITH DEPENDENT CHILDREN	INDIVIDUAL (currently not married nor divorced from a marriage lasting less than 10 years)		
	<i>File & Suspend</i>	<i>Restricted Application</i>	<i>File & Suspend or Restricted Application</i>	<i>File & Suspend</i>	<i>Restricted Application</i>	<i>File & Suspend</i>	<i>File & Suspend</i>		
April 29, 1950 or Earlier (obtain Age 66 by April 29, 2016)	Available at Full Retirement Age through April 29, 2016	Available at Full Retirement Age if spouse is already collecting their retirement benefit or has filed & suspended benefits by April 29, 2016	No changes. The surviving spouse can elect the optimal claiming strategy based upon their retirement benefit (if applicable) and survivor benefits.	Not applicable (this would essentially be the same as the Individual's case)	Available at Full Retirement Age, assuming ex-spouse is at least Age 62	Available at Full Retirement Age through April 29, 2016	Available at Full Retirement Age through April 29, 2016, for Lump-Sum Retroactive Benefit Payments		
May 1, 1950 thru 1953 (obtain at least Age 62 in 2015, but less than Age 66 by April 29, 2016)	No Longer Eligible	No Longer Eligible						No Longer Eligible	No Longer Eligible
1954 or later (Less than age 62 in 2015)									

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