DISCIPLINE • BALANCE • PERSPECTIVE

Maryland Capital Advisors

PLANNING COMMENT **November 15, 2015**

Modified Social Security Filing Methods

Congress passed and President Obama signed the ***Bipartisan Budget Act of 2015*** into law on November 2. The Act's most immediate impact was to suspend the "debt ceiling" (a statutory limit on outstanding public debt) until March 15, 2017. *This was good news for financial markets that had, once again, begun to fear a catastrophic US default on obligations*. ***Included in the Act, however, were important changes to Social Security that modify rules governing when and which benefits individuals may draw.***

The Social Security program has once again become political fodder and, for many planners and clients, the value of future benefits has been all but ignored. Although we acknowledge that the Social Security trust fund is projected to fall short by the 2030's without policy changes[1], Social Security benefits can nonetheless be an important element of planning for clients nearing retirement. For this reason, our client financial plans incorporate recommended strategies to maximize lifetime benefits. The Act has reduced or eliminated some of these previously-recommended draw strategies for married or divorced clients. ***Over the past week we have incorporated the new rules and updated client financial plans accordingly. We are mailing a report to each client with a financial plan explaining these changes.***

Noteworthy changes in ***Sec. 831 of the Act "Closure of Unintended Loopholes"*** include:

> **"File and Suspend" claiming strategy will no longer exist.** Previously, you could file for your own benefits, immediately suspend them, and allow your spouse to receive a spousal benefit. This strategy allowed you to delay and grow your own benefit, while also allowing your spouse to draw a spousal benefit. Under the new law, suspending your own benefit means all benefits paid from your record (for example a spousal benefit) will also be suspended. *If you were born before Nov. 1, 1949 you can still file and suspend, but only until May 1, 2016.*
>
> **"Restricted Application" has been eliminated.** The extension of a concept called "deemed filing" has effectively eradicated the restricted application draw strategy. This option had allowed you, once you reached Full Retirement Age, to draw your spousal benefit instead of your own benefit. Your own benefit would grow, thanks to delayed retirement credits, and you could switch back to your own benefit at age 70, when it reached its maximum. *Clients who turn 62 before the end of 2015 will be grandfathered, and can still file a restricted application at full retirement age.*

As always, please contact us to review any elements of your wealth planning and investment management.

The helpful comments of Jenifer Owino are greatly appreciated

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[1] See 2015 OASDI Trustees Report at www.ssa.gov.