The "Daily Plan-It™"

LAW OFFICES OF GARY R. WAITZMAN, L.L.C.

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Educate Your Clients on Ways to Maximize Social Security Benefits

Most clients know that if they file for Social Security benefits early, they will receive less than if they wait a few more years. However, it's worthwhile to review the rules with them.

If clients can hold out to file until they reach full retirement age, it will be the single biggest thing they can do to maximize their Social Security benefits.

Still, not everyone understands what the full retirement age is under government rules, or how much money they can receive if they wait a just a little longer.

Tiered Retirement Ages

The traditional "retirement age" of 65 only applies to clients born before 1943. For those born between 1943 and 1960, the age is set at 66. For those born after 1960, it's set at 67. Clients need to understand that filing for benefits when they're first eligible at age 62 can cut the benefits they receive by about 25 percent!

However, if they would wait until they're 70 years old to file for benefits; they can increase the amount they receive by eight percentage points for every year they delay.

For example, if a client currently earns $100,000 and she decides to file for Social Security early at age 62, she will receive about $1,600 per month. If she holds off until her full retirement age, she'll get $2,400 per month. But if she can put off filing for benefits until age 70, she'll get $3,000 per month.

Non-Working Spouses Can Get Up to 50%

If your client has a spouse who has little or no work history (typically a housewife), then the non-working spouse usually has to wait for the main breadwinner to file for Social Security benefits before he or she can receive spousal benefits.

However, there's a great workaround to this rule called the file-and-suspend method.

As long as the higher earning spouse has reached retirement age, he can file for benefits and then suspend receiving them while continuing to work until age 70. This allows his non-working spouse to receive spousal benefits – up to 50 percent of what his benefits will be. This is a good tactic because it allows the working spouse's benefits to continue to grow and it doesn't affect his benefits when he chooses to receive them.

For dual-income families, this strategy can still pay off. If both spouses earn about the same income and both are at retirement age, then one can collect half of the other's benefits using the file-and-suspend method while delaying collecting his own benefits until they're worth more later.

To qualify for spousal benefits, couples must have been married for at least 10 years. A spouse can receive either the full benefits he qualified for on his own, or half his spouse's benefit – whichever is greater.

Divorce Doesn't Necessarily Negate Benefits

If a client was married for over 10 years and has been divorced for at least two years, he or she is entitled to receive spousal benefits. This does not impact the ex-spouse's benefits.

The only stipulation is that that the client cannot have married someone else. This is one reason why some older divorcees choose not to remarry. A second marriage for a non-working spouse can mean losing benefits from the first marriage.

As always, I hope this article has helped you and your clients. If you have a specific case or concern, call our office.

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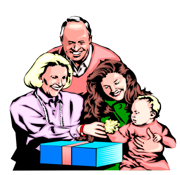

Law Offices of Gary R. Waitzman, L.L.C.
250 Parkway Drive, Suite 130
Lincolnshire, IL 60069
847.719-1300
Fax: 847.719.1301
gary@grweplaw.com