File and Suspend: Everyone's Favorite Social Security Technique

It was back in 2010 when I heard a Social Security expert mention the terminology **"file and suspend."**

It immediately captured my imagination, as it was the first inkling I had that:

1. Social Security is complicated.
2. You can approach claiming with actual strategies in mind.
3. There are some really neat tricks available – like **file and suspend**!

It took some serious study before I truly understood how the technique works, when it is and isn't available, and why one would use it. So it's not surprising to me when I hear clients, as well as their professional advisors, throw the term around recklessly and inappropriately.

It usually goes something like this: ***"When I turn 63, I plan to file and suspend so that my wife can get spousal benefits."*** Or even better: ***"I advised my client to file and suspend at age 66 and collect spousal benefits until he turns 70."*** The thing is that they are not far off target. File and suspend generally **does** have something to do with spousal benefits. As is often the case, however, the devil is in the details, and missing a seemingly small nuance can make a huge difference in results.

What is meant by file and suspend? This is where a person – typically a married person – **files** for retirement benefits based on his or her own earnings record but then immediately **suspends** payments. In other words, you file an application for benefits, but if you don't really want to receive your benefits now you simultaneously instruct the SSA not to pay any benefits to you until you declare that you are ready to "resume" payments.

Why would you file and suspend? Most often you would use this technique to **enable your spouse to claim spousal benefits** on your record. And why is that necessary? Because one of the rules governing spousal benefits says that your spouse cannot claim benefits on your record until you have filed for your own benefits – and you are not ready to receive your benefits.

Why would you not want to receive payments now? From the time you reach your **Full Retirement Age (FRA)** – age 66, if you were born before January 2, 1955 – until the time you turn 70, you can earn **Delayed Retirement Credits**. For every month you delay past FRA, your benefit grows by 2/3% per month (8% per year) until you reach age 70 or resume receiving payments, whichever occurs earlier.

When is file and suspend available? You must have reached Full Retirement Age in order to use this technique. If you are under FRA and file for benefits, you may not suspend until you reach FRA. So in the example above *("When I turn 63, I plan to file and suspend so that my wife can get spousal benefits.")* the technique is not available because the claimant has not yet reached FRA.

What was wrong with the second example above? *("I advised my client to file and suspend at age 66 and collect spousal benefits until he turns 70.")* Once you have filed an application for your own benefits and then suspended payments, you may not file an application for **any** other benefits. Moreover, if the purpose of your filing and suspending was to enable your spouse to claim spousal benefits on your record, two spouses may not claim spousal benefits on each other's records at the same time.

Some other interesting features of file and suspend that you may not have known:

1. Although the two actions (filing and suspending) generally occur simultaneously, **you may suspend benefits at any time after reaching Full Retirement Age**. For example, let's say you began benefits at age 65 and you're now 66-6 (meaning 66 years and 6 months). You just learned about **Delayed Retirement Credits** and would like to increase both your benefits and your younger spouse's potential survivor benefits. You may suspend now – 18 months after having originally filed for benefits – and if you resume benefits at age 70 they will be 28% larger than they were when you suspended.

2. **When you resume receiving benefits, you may do so retroactively**. Using the same example as above: you've suspended your benefits at 66-6, but two years later you get divorced AND learn that you have a life-shortening health condition. You may resume benefits now; wait longer to resume; or resume retroactively – as far back as your age 66-6. If you choose the latter, you will forego any Delayed Retirement Credits you had otherwise earned, but you will receive a lump-sum payment equal to the 24 months of benefits you had suspended.

3. **Even if you don't want to enable your spouse to claim spousal benefits, you may still file and suspend to keep your options open**. You are 66 years old and your spouse is six years younger. She is not going to be claiming any benefits until she reaches 66. You file and suspend at 66: if nothing unforeseen occurs, you will probably wait until 70 to resume payments. (By the way, **it never makes sense to wait beyond 70** to resume.) But let's say that three years later you have an urgent need for $60,000 and no other way to put your hands on that large a sum. You may **resume retroactively** – as far back as your age 66, if necessary – and receive a lump-sum payment of all the benefits you missed.

4. **You may file and suspend retroactively.** You are 66-8 and your spouse is a year older. Neither of you have claimed benefits yet. You suddenly learn (by reading this article) that if you had only known about this technique you could have filed and suspended at age 66, enabling your spouse to claim spousal benefits at that time. All is not lost! **You may file and suspend up to six months retroactively** – in this case as of age 66-2 – and your spouse can claim spousal benefits retroactive to that date as well. Some of my happiest clients are those who have collected retroactive lump sum benefits equal to 10

(or more) times my fee immediately after I showed them this option. (Note: you cannot make your filing retroactive to a month earlier than when you reached FRA.)

Hopefully you know more about **file and suspend** now than when you started reading this article, but I remind you of what I tell my seminar attendees: **A Little Learning Can Be Hazardous to Your Wealth!** I can alert you to *some* rules to broaden your perspective, but there's no way I can teach you *all* the rules and how they integrate with each other. For assistance with your own specific situation, you'll need to contact me directly.

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