

CAN YOU RAISE YOUR SSI BY REAPPLYING FOR BENEFITS?

Social Security has closed a popular loophole, but all is not lost.

Presented by Benedict A. Mitchell Jr.

The “reset button” has been removed. A few years back, the distinguished economist Laurence Kotlikoff alerted people to a loophole in the Social Security framework: retirees could dramatically increase their Social Security benefits by reapplying for them years after they first applied.

It worked like this: upon paying back the equivalent of the Social Security benefits they had received to the federal government, retirees could fill out some simple paperwork to reapply for federal retirement benefits at a later age, thereby increasing the size of their Social Security checks. Figuratively speaking, they could boost their SSI after repaying an interest-free loan from Uncle Sam.

You can't do this any longer.

In late 2010, the Social Security Administration closed the loophole. Too many retirees were using the repayment tactic, and the SSA's tolerance had worn thin. (The Center for Retirement Research at Boston College figured that the strategy had cost the Social Security system between \$5.5-8.7 billion.)^{1,2}

Today, accumulated Social Security benefits can no longer be repaid with the goal of having the SSA recalculate benefits based on the retiree's current age. You can only withdraw your request for Social Security benefits once, and you are only allowed to reapply for benefits within 12 months of the first month of entitlement.^{1,3}

Couples can still potentially increase their SSI. This involves using the “file and suspend” strategy once one spouse has reached full retirement age (FRA).

An example: Eric applies for Social Security at age 66 (his FRA). Immediately after filing for Social Security benefits, he elects to have his benefit checks stopped or postponed. As he has technically filed for benefits at full retirement age, his wife Fiona can begin receiving spousal benefits - a combination of her own benefits plus the extra benefits coming to her as a spouse, both reduced by a small percentage for each month that she is short of her FRA. (If she is younger than her FRA, she cannot apply to only receive a spousal benefit.)⁴

Meanwhile, Eric's Social Security benefits are poised to increase as long as his checks are halted or deferred. As Eric has hit FRA, he now has the chance to accrue delayed retirement credits (DRCs) and have his benefits enhanced by COLAs between today and the month in which he turns 70.⁴

Before you claim Social Security benefits, run the numbers. Knowing when to apply for Social Security is crucial. As it may be one of the most important financial

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decisions you make for retirement, it cannot be made casually. Be sure to consult the financial professional you know and trust before you apply.

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Citations.

- 1 - www.socialsecurity.gov/pressoffice/pr/withdrawal-policy-pr.html [12/8/10]
- 2 - www.cbsnews.com/8301-505123_162-37841858/the-end-of-social-securitys-interest-free-loan/ [12/9/10]
- 3 - www.financial-planning.com/fp_issues/2011_3/under-the-radar-2671684-1.html [3/1/11]
- 4 - www.foxbusiness.com/personal-finance/2012/01/30/social-security-qa-how-to-maximize-benefits/ [1/30/12]

