



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS



Budget Act's Big Changes to Social Security Planning

On November 2, 2015, retirement planning for millions of Americans changed. The Bipartisan Budget Act of 2015 made significant changes to Social Security planning strategies that advisors have used to help clients wring every dollar possible out of the Social Security system.

The Elimination of the File-and-Suspend Strategy

Under the "old" rules, once a client reached their full retirement age, or FRA for short, they were able to file for their Social Security benefits, but request that such benefit not actually be paid. Doing so allowed a client to continue to earn 8% delayed credits each year for their own benefit, while serving two other primary purposes.

First, once a client filed for their own benefit, it allowed certain other family members – most commonly a spouse – to claim a benefit based on the client's earnings record. Second, in the event a

client changed their mind about waiting until a later date to receive Social Security benefits, the file-and-suspend strategy allowed them to request a lump-sum payment for benefits that would have been paid, back to the date of their application.

Now, thanks to the Bipartisan Budget Act of 2015, there is only an extremely tight window in which some clients may still be able to use the file-and-suspend strategy. Under the law, the file-and-suspend strategy is being eliminated, effective for suspension requests submitted 180 days after the signing of the act and beyond. Thus, by the beginning of May 2016, the file-and-suspend will be no more.

Those lucky enough to be able to file-and-suspend within the 180-day "grace" period – as well as those who have already employed the strategy – will be grandfathered into the old rules. After the 180-day grace period expires, instead of family members being allowed to receive a benefit based on a client's earning record

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Guest IRA Expert

Seymour Goldberg
CPA, MBA, JD
Goldberg & Goldberg, P.C.
Woodbury, NY

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