How to Get Extra Social Security Checks Many People Don’t Even Know Exist
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By Ted Bauman, Editor, The Bauman Letter

On the whole, Americans are pretty savvy these days. We’re investing in 401(k) plans, paying down debt and conducting financial business on smartphones with ease.

But when it comes to the critical decision of how and when to claim Social Security benefits, many are still in the dark. A recent survey found a huge knowledge gap among middle-aged Americans, with significant numbers not aware of how best to maximize their benefits.

And that’s a problem, considering that Social Security makes up a larger and larger share of income as a person ages, as other sources are exhausted or do not keep pace with inflation. Nearly 6 in 10 Americans rely on Social Security for at least half of their retirement income after they reach age 80. Yet even those who have other sizable assets should know how to make the most of the program to which they’ve contributed their entire working lives.

In this report, we fill in the most common misunderstandings Americans have about this often-confusing system. You’ll learn:

• How your monthly check is determined.
• When you can claim benefits and the merits and downsides of each option.
• How marriage, divorce and remarriage affect your benefits.
• Nine strategies (including one you won’t believe!) that can net you extra checks.

The Basics of the Program

Many workers’ first contact with Social Security is through a benefit statement sent in the mail. (The agency shares these statements every five years to folks not yet receiving benefits.) The statement displays prominently an estimated monthly benefit.

Let’s start with that figure, technically called your primary insurance amount (PIA). The Social Security Administration looks at your 35 highest-earning years to generate an average and calculate how much you are due at retirement. Your PIA is what you can expect to receive every month if you start taking benefits at full retirement age.

What exactly is full retirement age? It’s not as simple as the date you choose to retire. Indeed, Social Security has a very specific age in mind for when you are due full benefits — and it might differ greatly from your idea!
Your full retirement age depends on the year you were born. If your birth year is 1943 through 1954, it’s 66. For every birth year thereafter, the full retirement age goes up by two months, leveling out at 67 for those born in 1960 or later.

But wait — you've probably heard about lots of people retiring at 62 and claiming Social Security. How do they do that?

It’s because the Social Security Administration has various incentives and disincentives for claiming at any time other than your full retirement age. In fact, you can file for retirement benefits as early as 62 and as late as 70. The decision is yours, but there are some things you need to know first, because your decision will have very large impacts on what you can expect to claim in Social Security benefits, the longer you live beyond your date of retirement.

If you start taking benefits before full retirement age, there is a penalty for doing so. The charts vary by birth year, but your benefits would be cut between 5% to 7% for every year earlier than full retirement age. As an example, if a person born in 1954 claims at the earliest opportunity, age 62, his or her monthly amount would be 25% lower than if he or she filed at age 66. In dollars, a monthly check of $2,000 would be slashed to just $1,500, and it would remain there permanently (well, almost — Social Security benefits are adjusted for inflation).

But there is also an opportunity to take benefits after your full retirement age and get more money. If you wait, you collect “delayed retirement credits” that top out at age 70. These credits beef up your Social Security check by 8% every year you delay. Even waiting a few months beyond an expected retirement date makes a difference in your expected benefits (the credits accrue at a rate of .0066% a month).

To put it another way, a monthly benefit at a full retirement age of 66 would be 32% higher four years later at 70. Continuing the example above, a $2,000 check would become a more sizable $2,640, which you’ll receive every month for the rest of your life, also adjusted for inflation.

Despite the penalties for early retirement and the generous bonus for delaying retirement, age 62 remains the most popular claiming age, with 48% of women and 42% of men signing up for benefits then. Why don't more people wait? Matthew Allen, cofounder and CEO of Social Security Advisors, a firm that provides personalized Social Security-claiming recommendations, offers three possible reasons:

First, they don't know it's something they should even be thinking about.

Second, many people don't have the option to wait. “In many cases, folks just need the money prior to that,” he says.

Thirdly, he says: “Many people tend to underestimate their life expectancy.” (A basic calculator for this is available on Social Security's website, ssa.gov. Enter “life expectancy calculator” in the search field in the upper right. The calculations are based on actuarial averages, so you should also take into account your current health, lifestyle and family history.)
Still, as the table above demonstrates, putting off filing for benefits has long-term implications that become more and more dramatic, the longer you live. The difference for someone living until the age of 90, if one files at age 62 versus age 70, is more than $60,000. For someone who lives until age 95, it equals nearly $100,000 in additional benefit payments.

### How Marriage Affects Social Security

Many Americans don’t realize that spouses can claim benefits on a husband or wife’s record after just one year of marriage. Spousal benefits equal half of your spouse’s primary insurance amount, or half of what he or she is actually getting if claimed before full retirement age. Fewer still know that divorced spouses are also eligible for these benefits, as long as the marriage lasted at least 10 years and the person claiming divorced spousal benefits has not remarried.

Social Security also pays survivor benefits to widows or widowers after just nine months of marriage. That is crucial to remember when planning for Social Security, but Allen says a lot of otherwise diligent couples overlook it. “Most people fail to take into consideration the way that the survivor benefit works,” he says. “Once the first spouse passes away, the surviving spouse gets the higher of the two benefits and the lower benefit drops off.” For this reason, he says that couples should consider their joint life expectancy when planning for Social Security. After all, data from the Society of Actuaries shows that for a current 65-year-old couple, the odds that one of them will live to age 85 is a surprising 72%.

Survivors are the exceptions to a number of Social Security rules, allowing them all sorts of opportunities if they are in the know. Survivors can file for benefits earlier than anyone else, at 60 (or 50 if disabled), and they also will not lose their survivor benefits if they remarry, as long as it’s later in life. Tom Margenau, retired deputy press officer for the Social Security Administration who now advises the public in a syndicated column, explains: “If you remarry after age 60, you can still keep getting widow’s benefits from a prior husband’s Social Security record.”

At this point, you might be wondering, “What if a person qualifies for benefits from their own work? How does that affect spousal benefits?” Social Security will pay out the higher of the two, but not both. And in general, you can’t switch between spousal benefits and your own retirement benefits at different times. “If you file for one Social Security benefit, you’re deemed to be filing for every Social Security benefit you’re eligible for,” Margenau says. “That means that you cannot take a reduced spousal at 62 and then at 66 switch to full benefits on your own record.” (However, there are two notable exceptions to this rule, which we’ll cover in more detail in the “Strategies to Consider” section.)
You Should Know: Social Security’s Rules Recently Changed

As you research this crucial decision, be aware that several rules regarding Social Security somewhat changed recently, due to the Bipartisan Budget Act of 2015 passed by Congress and signed into law then-President Obama.

To avoid misinformation — which is still rampant online — disregard (or read with great skepticism) any books or articles published prior to November 2015, unless they clearly note that updates have been made to reflect the new laws.

What mentions should you be wary of? Specifically, the law changes have made these maximization strategies obsolete:

• “File and suspend,” whereby a person filed for benefits and immediately suspended them, allowing their spouse to claim spousal benefits while they accumulate delayed retirement credits at the same time. Now, a suspension of benefits also suspends any spousal payments tied to a worker’s account.

• The “restricted application” strategy, whereby a person could claim just one type of benefit, even though they are eligible for more than one. This ability has been severely limited for everyone except two specific groups. One retains the ability to restrict applications into the future, and the other will be grandfathered for just a few years longer. (We cover these groups in more detail below.)

• No longer available are retroactive lump-sum payouts, whereby a person could get back payments for any months during which benefits were suspended.

Are these good changes? It depends largely on your birthdate and where you are in the process of planning for Social Security, according to Laurence Kotlikoff, author of Get What’s Yours: The Secrets to Maxing Out Your Social Security and the creator of “Maximize My Social Security,” software that calculates lifetime Social Security benefits. "For millions of people, the system is much more complicated thanks to the new law,” he says. “For another set of people, it's going to be simpler once the grandfathering is over.”

Strategies to Consider

From simple to unconventional, see if you can boost your benefits through any of the following:

• Get “extra checks” by delaying past full retirement age.

That’s right — because of the 8% boost you get for each year of waiting, you'll net the equivalent of one extra check for each year you delay taking benefits past full retirement age. For someone born in 1954, that’s four extra checks per year starting at age 70. (On the flip side, taking benefits at 62 is like sacrificing three checks a year because you are penalized 25%.) If waiting until 70 seems unrealistic, know that you don't have to make it the whole way for it to be worthwhile. Every month you delay gives you a little bump. “The bonus is actually two-thirds of 1% for each month you delay benefits,” Margenau says. “It just happens to work out to 8% a year. In other words, you don't have to work a whole year to claim that credit.” So waiting just six months past full retirement age to claim nets you a 4% bonus, the equivalent of an extra half check each year, for the rest of your life.

• Use your earnings history and ages to determine which spouse should claim first.

If one spouse has made significantly more money than another, a solid strategy would be to have the lower earner begin taking benefits as soon as possible, with the higher earner waiting as long as possible to claim, says Allen. “That typically will work out fairly well for most couples. It becomes much more of a calculation and more specific when folks have similar earnings histories.” What’s a good guideline? Allen says to compare your primary insurance amounts (available in the mailed benefit statements or online at ssa.gov/myaccount). If the
If there is an age discrepancy as well as an earnings one, Allen says the older person should do everything they possibly can to wait until 70, to let their benefits reach its maximum. For one, they are older and more likely to pass away first, accelerating when the survivor benefits will come into play. “It’s very important generally speaking to try to maximize delayed retirement credits for the higher earner because that’s going to be the benefit that lasts for the longest period time,” he explains. “One of the worst things is to be the higher earner and older, and claim at 62. They shoot themselves in the foot for survivor benefit purposes.”

Even if the high earner passes away before filing for benefits at all, the survivor will get credit for the delayed retirement credits their spouse collected. “It’s not as though they’re going to lose them,” Allen says.

- **Check into benefits from the records of any former spouses (either divorced or deceased), even if long in the past or you remember “signing away” rights to Social Security.**

  Margenau offers numerous accounts of women who married and divorced early in life or lost their husbands decades ago, not realizing they would be eligible for benefits based on those marriages, no matter how distant in time. Another point: Many women were convinced to “sign away” rights to Social Security payments in their divorce decrees. Margenau hears this scenario frequently, but says it’s meaningless. “Language in a divorce decree does not override federal law,” he says. If you meet the eligibility requirements, you are due divorced spousal benefits.

- **Don’t go overboard lowering your income for tax purposes. It may hurt you later.**

  Margenau says that self-employed individuals in particular are in a position to lower their taxable income during their working years because of numerous deductions. However, he says this will have an impact on your earnings history, which determines your future Social Security benefits. “On the one hand, nobody likes paying taxes, and everyone likes to lower their taxes as much as possible,” he says. “But what they’ve got to keep in the back of their mind is when they do that, it’s going to end up resulting in a smaller benefit down the road.”

- **Get up to six months of “back benefits.”**

  Yes, you can get retroactive Social Security checks as a lump sum. Just be aware that getting the retroactive lump sum will set your benefits start date to an earlier time frame and lower your monthly check accordingly. There’s another catch, too: You can only claim retroactive checks when you’re full retirement age or older, and the maximum is six checks. “Retroactive benefits can’t be paid if it involves any kind of reduced Social Security benefit,” Margenau explains. That is, unless you...

- **Plan ahead to get six months of retroactive benefits under your full retirement age, even though Social Security doesn’t normally allow it.**

  Planning ahead to go back sounds a bit confusing, but it can pay off. The workaround here uses what’s called a protective filing statement. You’re not applying for benefits but rather declaring your intent to apply soon. “It creates a reservation with Social Security,” Allen explains. You can file a protective filing statement by writing a letter, calling or visiting a Social Security office in person, and that date becomes the date you can claim benefits back to if needed. “It’s good for six months, but there’s no limit to how many you can file,” Allen adds. “You can do this on a rolling basis and preserve more options.” When would this be used? It makes the most sense for folks under full retirement age who are waiting on a job offer or otherwise exploring their options.

- **Determine if you are in one of the two groups that may still restrict applications.**

  Group 1 includes anyone who turned 62 on or before January 1, 2016. These folks are grandfathered in using the restricted application strategy that was recently eliminated for many by Congress. Here’s how it works: When you reach full retirement age and if your spouse is receiving benefits, you can file a restricted application for spousal benefits only while letting your own retirement benefits grow. You can then switch to your own at age 70, when they’ll be at their highest.
Divorced spouses who turned 62 on or before January 1, 2016, can also restrict their application in this way and let their delayed retirement credits accumulate. Unlike a married spouse, benefits are not dependent on the other person actually having filed, just that they’re eligible, i.e., 62 or older.

The second group still eligible to restrict applications is survivors (including divorced survivors), no matter their birthdates. “The deemed filling rules don’t apply to widows and widowers,” Margenau says. This is incredibly powerful, he adds, because “a widow can take reduced benefits as early as 60 and save her own benefits until 66 or even 70 if she wanted to and get the delayed retirement bonus.” So if you’re entitled to both retirement and survivor benefits (either as a surviving spouse or surviving divorced spouse), you can elect to take one type of benefit first and switch to the other at a later point if it’s a higher amount. So survivors have an edge in two ways. They can file for reduced benefits as early as 60, netting 24 more checks than everyone else eligible at age 62, and they can switch to their own retirement benefits later on if they wish to.

- **Give yourself a retirement bonus and skirt the earnings penalty by filing for benefits the January before you turn 66.**

Typically, Social Security discourages taking retirement benefits before you are actually retired. That’s why they impose a penalty of $1 for every $2 earned over a certain amount (currently $15,720). That’s called the earnings test, and it only applies when you’re under full retirement age. Cross the threshold of full retirement age and the earnings test goes away completely. “Once you reach age 66, you can make a million dollars a year and still get your Social Security checks,” Margenau says. But he notes that there are special rules for the year you reach full retirement age. There’s still an earnings test, but it’s only for the months before your birth month, and the limit is much higher: currently $41,880. So for someone who earns $80,000 a year and plans to retire at their birthday in July, claiming in January might make sense. The $40,000 earned January through June would not set off the earnings penalty and he or she would get six extra checks prior to full retirement age. “Now there’s a downside to that,” Margenau notes. “If you take benefits in January you’re taking a slightly reduced benefit because you’re taking it early.” But having the extra funds to pad a retirement nest egg or plan a celebratory trip might just be worth it to you.

- **Get divorced, even if you’re happily married.**

It sounds crazy, but hear us out. First, it requires a husband and wife who both turned 62 on or before January 1, 2016, grandfathering them the ability to restrict their applications for benefits. It also requires that they be married at least 10 years. It’s most easily illustrated with a husband and wife who are the same age. Kotlikoff explains that this couple could get divorced at 64, and then at 66 (once they have been divorced for the two-year requirement) each files a restricted application for divorced spousal benefits on the other.

The two could continue to live together as before. “Social Security doesn’t have anything in their provisions that says if you live together, you can’t collect benefits,” he says. Then at age 70, the couple could remarry, and each spouse could switch to claiming their own retirement benefits, which would have been growing the whole time thanks to delayed retirement credits.

It wouldn’t even require sky-high incomes to pay off, Kotlikoff notes. “For an upper-middle-class couple each earning $70,000 a year, it could be $100,000 to $120,000 they pick up as a couple by engaging in this strategy.”

Is it ethical? Perhaps not. But former Social Security employee Margenau acknowledges it’s likely not illegal in the eyes of the agency. “If they’re legally divorced, they’re legally divorced,” he says. “They’re bending the rules I guess, but they’re not breaking them.”

Anyone seriously considering it should of course weigh the cost of a divorce and the potential loss of tax benefits from dissolving the marriage, even temporarily, not to mention the loss of legal protections and medical visitation rights afforded to married couples. Indeed, all our experts doubt that many (if any) couples will take advantage of this loophole. Even Kotlikoff acknowledges: “I’m not really recommending this, I’m just saying that some people may look at this and decide to do it.”
The Last Word

While Margenau acknowledges it’s better to have more money than less money in retirement, he cautions against obsessing over the Social Security decision too much, given that the most important factor, your lifespan, is something you’ll never know. “Don’t fret that you could have gotten an extra $50 a month after you’re 80 years old if you had done this or that,” he says. “Do your research, then make a decision and be happy with it.”

Kind regards,

Ted Bauman, Editor
The Bauman Letter
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