Financial Planning
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Updated Friday, December 19, 2014 as of 11:58 AM ET

30 DAYS 30 WAYS

Help Clients Collect ‘Free’ Spousal Benefits

Married clients typically are eligible for two Social Security benefits: one on their own work record and one on their spouse’s record. When they take their benefits—and whose benefit they claim—can make a significant difference.

One possible technique is to obtain a “free spousal” benefit. “This is the most common strategy that most couples are missing out on,” says Daniel Shub, who heads a financial planning firm in Troy, Mich. “I have done it with many clients.” Shub says that this tactic can increase their lifetime benefits by thousands of dollars.

- **Read more: Maximizing Social Security for Both Spouses**

To obtain free spousal benefits, both spouses can start benefits at full retirement age, which is now 66. Jim, the first spouse to reach 66, would claim his full benefit, based on his own work record. Then Jim’s wife Kate can claim spousal benefits based on Jim’s work record. Kate would receive 50% of Jim’s benefit: if he is receiving $2,000 a month, Kate would get $1,000 a month.

Kate’s spousal benefit is “free” because it doesn’t affect her own benefit, based on her work record. Her own benefit will increase by 8% a year, plus cost-of-living adjustments (COLAs), every year until age 70, when benefits stop increasing. Kate can start then, with a 32% increase, plus COLAs, over her own full retirement age benefits.

Taking this strategy one step further, one spouse can execute a “file and suspend” strategy. Here, Jim might claim benefits at age 66, based on his work record, and suspend his benefits. If Jim delays until age 70, he’ll start with a benefit that’s 32% larger, plus COLAs.

Meanwhile, Kate can claim spousal benefits—they won’t be suspended when Jim suspends his own benefits. “When Jim files and suspends,” says Shub, “this will open the window for Kate to collect free spousal benefits, yet it will not reduce either of their benefits if they collect at 70. The benefits will continue to increase.”

Kate can collect her $1,000 monthly spousal benefit, in this example, until age 70, when she can switch to her benefit, if that’s larger than her spousal benefit. Thus, both spouses will have their maximum Social Security benefits, going forward, and Kate will have collected 48 months of free spousal benefits: $48,000, as illustrated.

To execute this strategy, spousal benefits should not be claimed before full retirement age, which is scheduled to gradually climb to 67, for those born after 1954. When someone claims a spousal benefit earlier, the ability to later switch from a spousal benefit to his or her own larger benefit is lost. “I usually recommend filing for spousal benefits at full retirement age,” says Shub.

According to Shub, he also considers clients’ health and assumed life expectancy in these calculations. “With advances in medicine and increasing life expectancies,” he says, “in most cases it does makes sense to maximize Social Security, but that may not be the best option if clients have health issues.”

Read more:

- **10 Tips to Maximize Social Security Benefits for Clients**
- **Maximizing Social Security for Both Spouses**
- **When Clients Should Start Social Security Early**
- **7 Mistakes to Help Clients Avoid When Planning for Retirement**