

OPTIONS AVAILABLE TO SPOUSES VIA SUSPENSION OF BENEFITS AT FULL RETIREMENT AGE TO ALLOW A SPOUSAL RETIREMENT BENEFIT AND DELAYED RETIREMENT CREDITS

PERTINENT INFORMATION

- ❑ The Kuglers are both age 66. Mr. Kugler's PIA is \$2,000 per month and Mrs. Kugler's PIA is \$1,000.
- ❑ Both Mr. and Mrs. Kugler are in good health and plan to keep on working until age 70.

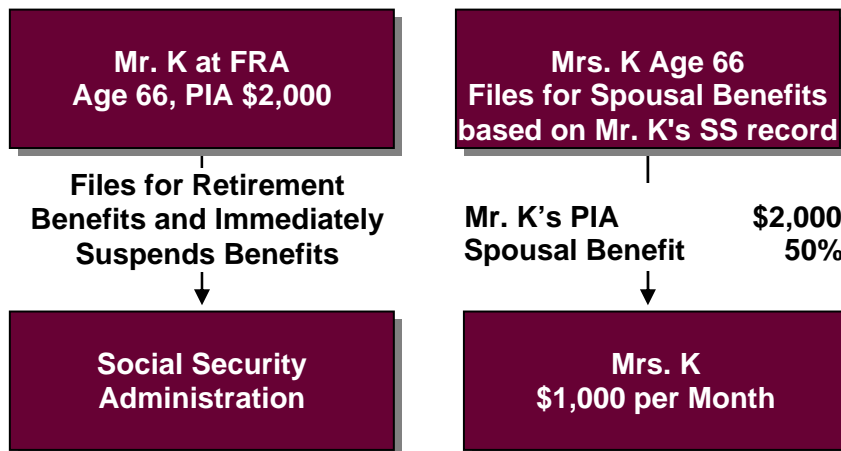
GOALS AND OBJECTIVES

- ❑ The Kuglers would like to know if there is any way for one spouse to receive a Spousal Benefit while both spouses continue working and receiving DRCs will until age 70.

PROPOSED ARRANGEMENT

- ❑ Since both spouses have attained their FRA (age 66), they should consider having Mr. Kugler (higher PIA) file for his SS retirement benefits. Immediately after filing, Mr. Kugler would request a **suspension of retirement benefits until age 70**.
- ❑ Note: Mr. Kugler must have attained his FRA in order to file and suspend benefits.
- ❑ In order for the following proposed plan to be available in the manner illustrated, both spouses must have attained their FRA. Once Mr. Kugler has filed and suspended his retirement benefits, Mrs. Kugler is eligible to receive her 50% Spousal Retirement Benefit applicable to Mr. Kugler's \$2,000 per month PIA. Under this arrangement, Mrs. Kugler will not receive any retirement benefits based on her **own** SS record until age 70.
- ❑ **Note: Since Mrs. Kugler has applied for Spousal Benefits after attaining her FRA, she is allowed to specify that she is filing to receive a Spousal Benefit based solely on Mr. Kugler's SS record. This means that Mrs. Kugler's SS record (PIA) is not allocated to any portion of the Spousal Benefit.**

At age 66 to Age 70

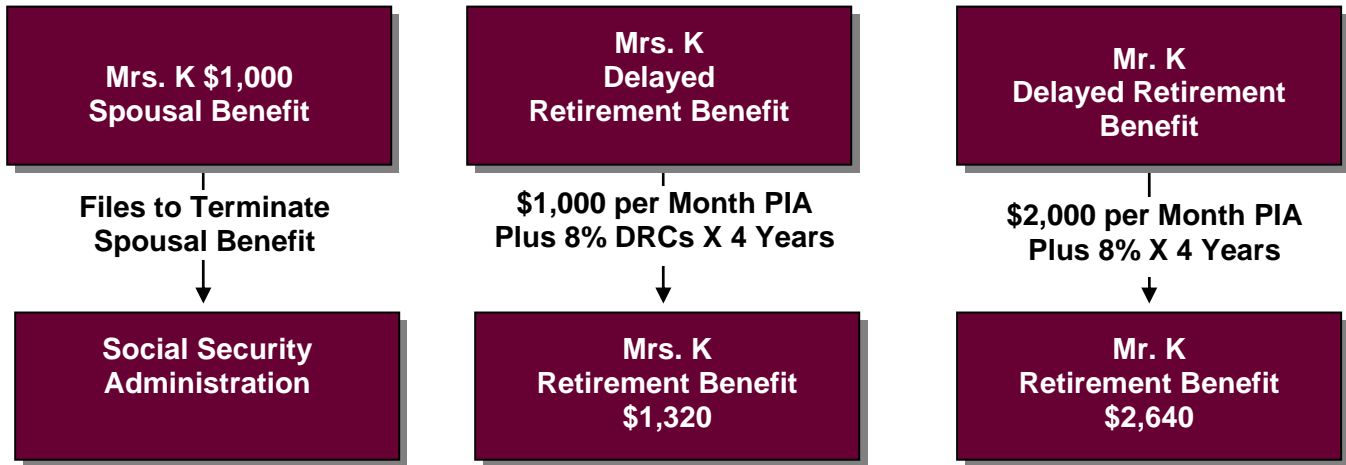


- ❑ Note: Once Mr. Kugler files and suspends his benefits, he is not eligible for Spousal Benefits based on Mrs. Kugler's SS record. Also, both spouses cannot collect Spousal Benefits at the same time.

RESULTS AND BENEFITS

- ❑ Since neither Mr. or Mrs. Kugler will be receiving retirement benefits based on their own SS record, they each qualify to receive the 8% DRCs from age 66 to 70. This will increase their retirement benefit by 32%.
- ❑ Mr. Kugler's retirement benefit at age 70 would increase by \$640 to \$2,640 (plus COLAs).

At to Age 70



- ❑ Mrs. Kugler would have the option at age 70 to select the higher of her own retirement benefit of \$1,320 (\$1,000 plus \$320 of DRCs), or she could continue the \$1,000 Spousal Benefit. She would choose the higher benefit of \$1,320.
- ❑ Note: The Spousal Benefit attributable to Mr. Kugler's SS record does not qualify for DRCs. However, both Mr. and Mrs. Kugler's personal retirement benefits qualified for DRCs until age 70.
- ❑ During the years from age 66 to 70, the Kuglers would be giving up their PIAs (Mr. K \$2,000 and Mrs. K \$1,000). That's a total of \$3,000 per month for four years. However, Mrs. Kugler does receive the \$1,000 Spousal Benefit for four years. The net cost for four years would be \$2,000 x 48 months = \$96,000.
- ❑ The benefit derived would be an increase at age 70 in their combined retirement payouts from \$3,000 per month to \$3,960 (Mr. K's \$2,640 plus Mrs. K's \$1,320). That's an increase of \$960 per month (\$11,520 per year). It would take just over eight years to make up the \$96,000 difference.
- ❑ Note: It should be pointed out that both spouses cannot receive spousal benefits at the same time. Also Mrs. Kugler would not qualify for spousal benefits because her \$1,000 PIA is 50% of Mr. Kugler's \$2,000 PIA.
- ❑ Note: When the first spouse dies, the surviving spouse will have an ongoing survivor benefit that will be based on Mr. Kugler's higher retirement benefit of \$2,640.
- ❑ **Note: If Mrs. Kugler had not attained her FRA**, the 50% Spousal Benefit would be permanently reduced for early retirement. Under the spousal early retirement rules, Mrs. Kugler's own retirement benefits (PIA) are first applied toward the Spousal Benefit. This means she is receiving a benefit based on her own record. Thus, she would not be allowed to specify that the Spousal Benefit must be based solely on Mr. Kugler's SS record. She would be receiving personal benefits and therefore not qualify for DRCs.
- ❑ Note: A number of different spousal combinations should be considered. The options will of course vary in accordance with the ages, health, income needs, etc. Generally this arrangement works best when both spouses are approximately the same age and have attained FRA.
- ❑ Note: This is a very technical concept. In a few instances there may be a SS office that may not be familiar with this arrangement. You must be sure to specify that Mr. Kugler wants to file for his benefit and then suspend his benefits. Mrs. Kugler is qualifying for Spousal Benefits based solely on Mr. Kugler's SS record.