

# Social Security Choices

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## Understanding "Free Spousal" Benefits

The phrase "free spousal" refers to those circumstances in which a married person can claim spousal benefits without also being forced by Social Security to claim their own retirement benefits. That is, you are "free" to take a spousal benefit while letting your own retirement benefit continue to grow. Some people also refer to free spousal benefits as the "restricted application strategy," however we find this term to be less intuitive and will use the term free spousal benefits going forward.

If you decide to take a spousal benefit, there is a crucial difference between taking it before full retirement age and taking it after full retirement age. If you are under full retirement age when you take a spousal benefit, you cannot abstain from taking a benefit on your own record, and thus, you will be stuck with a permanently lower benefit as a result of taking it prior to your full retirement age. In other words, you are "deemed" to have taken your own retirement benefit immediately upon taking the spousal benefit. However, if you wait until full retirement age to claim your spousal benefit, not only will you receive a full spousal benefit equal to 50% of the primary beneficiary's retirement benefit, but you can also switch over to your own retirement benefit at a later age. The advantage of taking "free spousal" benefits is that you are receiving the spousal benefit while your own retirement benefit grows at 8 percent a year.

To illustrate, suppose a married couple, John and Mary, are turning 66 (their full retirement age) shortly. Neither has claimed any Social Security benefits, but they are ready to start them. John's monthly benefit at full retirement age is \$1,000, while Mary's is \$1,200. If one of them claims retirement benefits, the other one can claim a "free spousal" benefit, letting their unclaimed retirement benefit grow at 8 percent a year. Suppose they decide that John will claim his \$1,000 a month and that Mary will claim a \$500 a month free spousal benefit on his record. If she waits to age 70 to switch to her retirement benefit, she will receive \$1,584 a month (in inflation adjusted dollars) for the rest of her life, rather than the \$1,200 a month available to her at age 66. Note: it is possible to combine the free spousal strategy with the ["file and suspend" strategy](#) in this case. Doing so would be ideal for couples with relatively long life expectancies.

Next, consider what would happen if John was just turning 66 and Mary was just turning 62. John can claim his full retirement benefit of \$1,000 a month. If Mary attempts to claim a spousal benefit at this point, Social Security will "deem" that she has also applied for her own retirement benefit. The spousal benefit, at age 62, would be \$375 (=  $500 \times 0.75$ ), while Mary's retirement benefit would be \$900 (=  $1,200 \times 0.75$ ). Since Mary's spousal benefit cannot increase her total benefit above one-half of John's benefit at full retirement age (\$500 in this case), Mary would receive her own reduced retirement benefit (\$900), but no spousal benefit, for the rest of her life.

So be careful when you take your spousal benefit.

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