# Switching Benefits

*By Elaine Floyd, CFP®*

**Under Social Security rules, if a person receiving a benefit becomes entitled to a different benefit, that person may switch to the new benefit if it's higher.**

This switching is one of the most important ways people can maximize their benefits, but they don't always know how or when or even if they can do so. SSA often does not notify people of these switching opportunities, either because they don't know that a higher benefit is available, or their system is not set up to issue such notifications.

Sometimes the switching strategy is not intuitive. A maximization strategy might call for a person to start with the lower benefit and switch to the higher benefit later. Because SSA seeks to pay the highest amount a person is entitled to right now, their advice often conflicts with ours. In my own case, I filed a restricted application for my divorced-spouse survivor benefit at age 67 with the plan to switch to my own maximum benefit at 70. A few months after starting my survivor benefit, I got an auto-generated letter from SSA telling me that I could receive more if I switched to the benefit off my own work record. This, of course, would have undermined my whole strategy of taking the survivor benefit while my own benefit grew by 8% a year to age 70. Thankfully, I knew what I was doing and ignored the letter.

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But some people, who may be wondering if taking the lower benefit first really makes sense anyway, could easily be lured into short-sighted switching, or at the very least may not know what to do.

We have found that when people go into their SSA office with a calculator report laying out a multi-step claiming strategy, SSA workers get confused. Inexperienced workers who only know how to take applications for benefits often don't understand the different types of benefits that may be available or why it makes sense to switch from one benefit to another. They will sometimes simply say, "you can't do that." This is why we recommend online filing and, when talking to SSA workers, to focus on the application being filed right now. It's okay to talk briefly about your intentions, such as wanting to delay your own benefit to get maximum delayed credits, but when filing that initial application you'll want to make it clear that that's what you are there to do. A worker can't refuse to take your application if entitlement to that benefit exists.

## MIKE AND MARY: STRATEGY CALLS FOR 4 SEPARATE APPLICATIONS

Here's an example of a common maximization strategy for a married couple. Mike's primary insurance amount (PIA) is $3,500. Mary's PIA is $1,200. They are both 62 now. We are using a 2% COLA.

**5. Maximum Lifetime Nominal Benefit**

The goal of this scenario is to search all possible filing strategies and find the one that yields the maximum combined lifetime benefits.

***Strategy:***
**Sep 2028**: Mary claims on own record at **FRA (67)** starting at **$1,325**.
**Sep 2031**: Mike claims on own record at **age 70** starting at **$5,085**.
**Sep 2031**: Mary claims spousal add-on at **age 70** starting at **$644**.
**Dec 2045**: Mary claims survivor benefits at **age 84** starting at **$6,844**.

Lifetime **nominal** benefit : **$2,076,454**

As you can see, there are four separate filings here. First, Mary claims on her own record at her full retirement age (FRA). So, in July or August of 2028 Mary would go online and file a regular application for retirement benefits specifying a September start date. A week or two after she submits her application, an SSA worker will contact her and let her know what, if any, documents she needs to provide. A week or two after that she should get her award letter telling her how much her benefit will be and when she can expect to receive it.

A month or two before Mike turns 70 in September of 2031, he will go online and apply for his retirement benefit. Again, an SSA rep will contact him and ask for any necessary information.

Once Mike has received his award letter, Mary can go online and apply for her spousal benefit. She will specify the same start date as Mike: September 2031. Technically, her spousal benefit will not be a "switch." It will be an "add-on." She will keep her existing benefit and the difference between her PIA and one-half of Mike's PIA will be added to that benefit. Again, once she submits her application, they will call her and tell her what they need. Now Mary and Mike are set until one spouse dies.

If Mike lives (or rather dies) according to plan, Mary will be claiming her survivor benefit in December of 2045 at her age 84. SSA will be notified of Mike's death, either by the funeral home or by Mary herself. Since Mary is receiving a spousal benefit, it is possible she will automatically be switched to the survivor benefit. Still, you should be alert to these situations and check to be sure the switch to the survivor benefit happens. Note that if Mary had not been receiving a spousal benefit—say she had a high PIA and was getting her own retirement benefit—she would not automatically be switched to the survivor benefit if it was higher because she would have been claiming off a different record. And it's possible SSA would not notify her that she was entitled to a higher survivor benefit, if they hadn't put it together that she and Mike were married and that he was now deceased. She will have to make an appointment with SSA to apply for the survivor benefit, as survivor benefits cannot be applied for online.

## OTHER SWITCHING OPPORTUNITIES

One of my favorite cases was the woman in her 70s who came to one of our Savvy advisors and said she was receiving a retirement benefit of about $700 a month. In gathering information the advisor learned that she had been married and divorced early in her life and that the marriage had lasted over ten years. The advisor told her to file for her divorced-spouse benefit, which gave her an additional $400 a month. Shortly thereafter, the ex-husband died, increasing her benefit to $2,200 a month. If the advisor had not alerted the client to the divorced-spouse benefit (it never occurred to her that she could claim off an ex-husband from a long-ago marriage), she would still be receiving the $700 instead of the $2,200 she ended up with.

Here are some other switching opportunities you may be eligible for:

- **Spousal add-on.** It is fairly common for a lower-earning spouse to apply for her own retirement benefit and not get a spousal benefit at that time because her husband hadn't filed yet. After he files, she becomes entitled to the spousal add-on, but it is often overlooked. She must proactively apply for the spousal benefit in order to get the extra amount.
- **Survivor benefits.** Widows are not always notified by SSA when they are entitled to a survivor benefit that is higher than their own benefit. If you have ever been married to someone who has died—whether the death occurred during the marriage or after a divorce if you were married more than ten years—you may be entitled to a survivor benefit. (Note: if you remarried before age 60 and are still married to that spouse, you would not be entitled to a survivor benefit based on a deceased spouse's work record.)
- **Maximum retirement benefit at 70.** If you are receiving a survivor benefit and have never filed for benefits on your own record, it's possible that by the time you reach age 70, your own benefit with delayed credits exceeds the survivor benefit. If there's any question about this, call SSA to ask if you could receive a higher amount by switching to your own record.
- **Dependent benefits.** If you have a child under 18 or an adult disabled child, you may be able get dependent benefits once you have filed for your own retirement benefit.
- **Disability to retirement benefits.** If you receive disability benefits prior to FRA, your disability benefit will automatically switch to your retirement benefit at FRA. The amount does not change. When this happens you can suspend the benefit to build 8% annual delayed credits to age 70.

If you have any questions about whether or not you are receiving all the benefits you are entitled to, ask your financial advisor or call SSA at 800-772-1213.

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