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Double Dipping

Overview: Investors who are eligible for multiple types of Social Security benefits may be better off claiming one type of benefit, then claiming another type of benefit a few years later. The following discusses this strategy, known as “double dipping.”

The Social Security Administration offers three types of benefits for retirees and their spouses:

- σ Retirement Worker Benefit — Basic benefit determined by work history
- σ Spousal Benefit — Benefit (up to 50 percent if spouse has reached full retirement age [FRA]) provided to retirees’ spouses once they have claimed their own benefit
- σ Survivor Benefit — Benefit provided to surviving spouses

Benefits are determined by birth year, retirement age and lifetime earnings. Once workers reach FRA, they are eligible for full retired-worker benefit, also known as the primary insurance amount. Currently, the FRA is from age 65 to age 67 depending on year of birth.

Workers who claim benefits prior to reaching FRA will receive a reduced benefit of up to 25 percent of the primary insurance amount. Delaying a claim until age 70 results in a larger benefit of up to 32 percent more than the primary insurance amount due to cost-of-living adjustments and delayed retirement credits.

Regarding Social Security benefits for non-government workers, “double dipping” refers to qualifying individuals’ ability to elect both a spousal and worker benefit at different points during retirement. If individuals qualify for both benefits at the time of filing, the Social Security office will assume that these individuals are filing for both benefits simultaneously. In these cases, they will only receive the higher of the two. To prevent this, individuals should clearly state on the application which benefits are being claimed.

While individuals can take the retirement worker benefit anytime after age 62, the spousal benefit can only be taken after the spouse files for benefits. Also, individuals must file for their spousal benefits at FRA to take their own retirement worker benefit at a later date and double dip.

Deciding which benefits to claim first primarily depends on the actual amount of each benefit. The amounts depend on how much individuals and their spouses worked and the ages at which they claim benefits. If a spouse’s own retirement worker benefit is higher than the spousal benefit, filing

for spousal benefits at FRA and a delayed retirement worker benefit at 70 can optimize lifetime benefits.

For example, John is age 66, and Mary is age 62 and their monthly Social Security benefits are:

	62	FRA	70
John's retirement worker benefit	\$1,600	\$2,000	\$2,640
Mary's retirement worker benefit	\$880	\$1,100	\$1,452
Mary's spousal benefit	\$700	\$1,000	N/A

Filing for a spousal benefit would entitle Mary to a benefit of \$1,000 at FRA. Upon reaching age 70, Mary could then file for her own retirement worker benefit, which would increase to \$1,452.

Summary

Double dipping is available to either spouse and was authorized by the Senior Citizens' Freedom to Work Act of 2000 with the goal of encouraging seniors to work longer. One way to determine the best strategy is to meet with a financial advisor to discuss the different filing options available. Note that while this strategy is allowed by the Social Security Administration, not all officers are familiar with the ability to claim just one benefit at a time. The default is to automatically sign up for all eligible benefits at the time of filing.

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