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Tips for Couples on Managing Social Security Benefits

Approximately 59 million people receive Social Security benefits, according to the Social Security Administration. Were you aware that there are many options for married couples on deciding how and when to take their payments? The Tennessee Society of CPAs provides some background and offers tips on the best ways to manage your benefits.

Get the Timing Right

Whether you're planning as a couple or an individual, it's important to understand how the timing of your retirement will affect how much you receive. Anyone who qualifies can begin to collect Social Security as early as age 62, but you will only receive your full benefit if you postpone taking it until your full retirement age, which will vary based on when you were born. If, like anyone born in 1960 or later, your full retirement age is 67, then your benefit would be reduced by about 30 percent throughout your lifetime if you begin collecting benefits at age 62, for example. If you were born in 1943 or later, you can also increase the size of your benefit by 8 percent for every year you delay receiving benefits past full retirement age, up to age 70. As a result, your current financial situation and your health may have an impact on when it's best to start taking benefits. And for married couples, there may be even more factors to consider.

Use the Spousal Benefit Wisely

Whether you have worked or not, you may qualify to receive benefits based on your spouse's earnings. The amount you might receive will be based on whether you've hit full retirement age and whether you're eligible for any benefits based on your own work history. Keep in mind that each member of a couple will have a different income history and will hit full retirement age at different times. As a result, couples can use some careful planning to maximize the benefits they receive. For example, one spouse can apply for retirement benefits when he or she hits full retirement age and then request to have payments suspended. In the meantime, the other one can begin taking spouse's benefits, enhancing the couple's income. This enables one spouse to receive benefits while the other spouse continues to earn delayed retirement credits. Your CPA can help fully explain your options for making the most of your benefits.

Understand the Rules on Divorce

Are you divorced but your marriage lasted at least 10 years? You may be surprised to hear that you can receive benefits on your ex-spouse's record. (There will be no impact on your ex's benefits if you do.) If the union lasts any less time than that, however, you're not eligible for any benefits as an ex. For those who do qualify, it's possible to receive half of your ex-spouse's full retirement benefit, as long as you start receiving benefits at your full retirement age and your own Social Security benefit is less than what you would receive based on your ex-spouse's record. If you have reached full retirement age, you can begin taking benefits as an ex-spouse first, though, and delay your own benefits until a later date. Did you get hitched a second time? Then you're no longer eligible for the first spouse's benefits, unless you're no longer married when you make your claim.

Consult Your CPA

You've worked hard to earn your Social Security benefits and you want to use them to ensure a secure retirement. Your local CPA can help. Be sure to turn to him or her with all your financial concerns.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.