You have an appointment with a client who has already elected Social Security and now realizes he made a mistake. Beneficiaries have four options for changing or altering their benefits.

**OPTION 1**
Pay it back

If the client changes his mind within the first 12 months of electing benefits, he can still file a form 521 to withdraw the application and pay back any benefits. If benefits were received by auxiliaries, such as a spouse or children, those benefits would also need to be repaid. Once benefits have been repaid, he is treated as though he never elected, which means he will not receive an actuarial reduction due to the original filing, and can file a restricted application for spousal benefits. The restricted application is only available to claimants born prior to Jan. 2, 1954.

**OPTION 2**
Go back to work

If the client is outside the 12 month window and decides he wants to go back to work between the ages of 62 and full retirement age (FRA), his benefits will be subject to an earnings test. The 2017 earnings test exempt amount is $16,920 ($44,880 in the year the client turns FRA). Social Security will withhold $1 in benefits for every $2 of earnings in excess of that amount. This is not a tax.

Let’s say your client elected benefits at 62 and was receiving an $1,800 monthly benefit (75% of $2,400) and now wants to go back to work at 63 earning $90,000 per year. $90,000 minus $15,720 is $74,280. Divide that by two and the earning penalty would be $37,140. Since that is greater than the total Social Security benefit of $21,600, the client would not receive any Social Security for this period.

The reason we want to be very clear that the “earnings penalty” is not a tax is because Social Security would adjust the reduction on this client’s benefits for each month in which he didn’t receive a check due to the earnings test. If this client actually received benefits for the 12 months he was 62, but then worked and did not receive any further benefits until age 66, Social Security Administration would go back to his record and adjust
his benefit upwards. They will treat it as if he had originally elected at 65 instead of 62, so he would then begin receiving a check for $2,240 plus any cost of living adjustments that had accrued.

**OPTION 3**
**Voluntarily suspend**

There is another option for those who don’t want to go back to work. Once the client reaches FRA, he can voluntarily suspend benefits. He simply needs to call or visit a Social Security office and request a voluntary suspension. He can even call in advance of FRA with instructions to suspend at FRA. As of April 29, 2016, if requesting a suspension, the claimant will be suspending benefits for anyone currently receiving a benefit off the workers record.

By electing at age 62, the client basically reduced his monthly benefit to 75% of what he would have received if he had elected at FRA. By suspending benefits at age 66, he will increase his monthly benefit by 8% per year until age 70, for a total of 32%. If you increase 75% by 32% you get 99% (.75 x 1.32 = .99). In other words, you can take Social Security from 62-66, suspend from 66-70 and still get 99% of the benefit you would have received had you simply waited until FRA.

This should not be viewed as a claiming strategy, only as a means for minimizing the damage of a mistake. There are two reasons one wouldn’t want to elect at 62 with the intent of suspending at FRA.

- If the client dies between 62 and FRA, his widow would be permanently stuck with a substantially reduced benefit
- The client would forfeit any future option of claiming a restricted spousal benefit

**Conclusion**

Though it almost always pays for at least one member of a married couple to delay benefits, almost 75% of beneficiaries elect Social Security between age 62 and FRA. You’re going to have clients who regret this decision or simply had a change of plans. Helping them navigate the different options for making a change is a great way to add value. Nationwide’s Social Security 360® program can help you find the best option for your clients.

For more information, visit nationwidedfinancial.com/360.

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**OPTION 4**
**Maximize benefits for your spouse who has not yet elected**

Nationwide’s Social Security 360 Analyzer® is geared to identify all the claiming ages possible for a given couple assuming that neither has elected yet. First, the tool generates all possible claiming options for your client. Then the tool runs them through an algorithm to identify the strategy that offers the highest lifetime benefit.

You can specify the member of the couple who has already elected, which will cause the software to automatically identify the strategy that presents the highest lifetime benefit given that constraint—specifically including options three and four above.

Depending on the client’s date of birth some of these strategies may no longer be available. The Bipartisan Budget Act of 2015 is phasing out popular claiming techniques that involve a voluntary suspension or a restricted application.