Social Security offers three distinct types of benefits for retired workers and/or their spouses: 1) the basic retirement worker benefit, which is determined by how long an individual works and how much he earns; 2) a spousal benefit, which provides a worker’s spouse with a benefit once the worker has claimed his own benefit; and 3) a survivor benefit, which provides a surviving spouse with a benefit after a worker’s death.

The full retired worker benefit (also known as the Primary Insurance Amount or PIA) is available at a worker’s Full Retirement Age (FRA), which is currently 66, but will rise to 67. Individuals are allowed to claim a smaller benefit as early as age 62 or a larger benefit by claiming after the FRA up to age 70.

This document describes three unusual, but allowable, strategies for claiming Social Security benefits. These strategies may allow some households to receive increased lifetime benefits, depending on their specific work histories, personal preferences, demographic characteristics, and mortality. On the other hand, these strategies could result in lower lifetime benefits, depending on how long the claimant lives.

**Strategy 1: Borrow and Invest**

An individual can claim Social Security benefits at, say, 62 and then reclaim at, say, 66 at a higher benefit level as long as he pays back the money that he has received — without interest — during the interim period. This strategy is the same as receiving a zero-interest loan from Social Security. The claimant could invest his Social Security benefits, keep the investment earnings, and then later pay back the principal of the “loan.”

The claimant, with an average life expectancy, comes out ahead by the amount of the investment earnings. Of course, should the claimant die shortly after giving back the benefits, this strategy would involve a loss.

According to the Social Security Administration (SSA), this approach is allowable. The claimant files a SSA Form 521 and repays the amount owed. When the form is accepted, SSA treats the individual as if he had never filed.

This claiming approach had its origins in the case of an individual who initially claimed benefits in 1957 and later requested that she be allowed to re-file in 1964 in order to obtain a higher monthly benefit based on her more recent work history and older filing age. The Social Security Administration granted this request on the grounds that it was in the best interest of the claimant to rescind the original claim. It was not specifically intended to allow “zero interest” loans, but instead to allow for the possibility that changes in an individual’s circumstances could cause her to reconsider an earlier claiming decision.

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Strategy 2: Claim Now, Claim More Later

A married individual can claim a spousal benefit at the Full Retirement Age (FRA) and switch to her own retirement worker benefit at a later date. This approach allows a worker to begin claiming one type of benefit while still building up delayed retirement credits, which will result in a higher worker benefit later.

Take, for example, a two-earner couple in which the husband is four years older than the wife and the husband and wife have similar expected full retirement benefits. Once the husband claims his benefits and the wife has reached the FRA, she files for only a spousal benefit. The wife then continues working and contributing to Social Security. At age 70, she files for her own retired worker benefit, which has now reached its maximum amount due to the delayed retirement credits. At this point, she stops receiving the spousal benefit and switches to her own benefit.

According to the Social Security Administration, this approach is permitted for individuals who have reached the FRA. Individuals who have not reached the FRA are not allowed to limit the scope of their benefit application in this way.

While this strategy has long been possible, deferring claiming beyond the FRA was not particularly attractive until the recent advent of an actuarially fair delayed retirement credit.

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Strategy 3: Claim and Suspend

Upon reaching the Full Retirement Age (FRA), an individual may claim his Social Security benefit and then suspend payment in order to allow his spouse to claim a spousal benefit while still allowing the value of his own future benefit to increase.

A spousal benefit is equal to half of the retired worker's PIA, assuming that the spouse has reached the FRA (claiming earlier will diminish the amount of the spousal benefit). The wife cannot claim a spousal benefit until her husband claims his retired worker benefit. However, the husband may prefer to delay retirement, thus increasing his eventual benefit. By claiming and then immediately suspending payment of his benefit, he enables his wife to receive a spousal benefit while also increasing his own future benefit — as well as his wife's survivor benefit should he be the first to die.

This claiming strategy was authorized by the Senior Citizens' Freedom to Work Act of 2000, which allows a worker to earn delayed retirement credits after filing for benefits if he requests that he not receive benefits during a given period. The intuition is that, by allowing a spouse to claim right away while allowing a worker to continue building up delayed retirement credits, such a provision may help encourage older individuals to work longer.

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