Study estimates public cost of Social Security claiming strategies

By Editor Test *Wed, Aug 14, 2013*

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Two Social Security benefit-enhancing claiming strategies, if widely used, could drive up the costs of the ubiquitous federal program by billions of dollars a year, according to a study by analysts at the Center for Retirement Research at Boston College. The study appears in this month's *Journal of Financial Planning.*

The "claim and suspend" strategy could cost about $500 million a year, according to the study. "The beneficiaries are either one-earner couples or those in which the wife's earnings are very small relative to the husband's, and the average gain is relatively small," the study said.

The "claim now, claim more later" strategy, which can be used by two-earner couples, could have cost $9.7 billion if widely used in 2006, and could cost more in the future as Boomers retire in larger numbers and the strategy becomes more popular, the CRR said.

The two strategies increase the claiming options of couples where spouses' retirement decisions often interact. The "claim and suspend" strategy allows the higher earner to keep working and earning delayed retirement credits while the lower earner collects a spousal benefit.

The "claim now, claim more later" strategy allows the higher earner to collect a Social Security spousal benefit while continuing to work and earn delayed retirement credits; at retirement, this individual then switches from claiming a spousal benefit to claiming a higher retired worker benefit.

The more equal the lifetime earnings of the spouses are, the more they have to gain. Using this strategy, couples can potentially gain between 2.6 and 3.1 percent of their base lifetime Social Security benefits.

Under either strategy, working longer allows the higher earner to boost the size of the eventual survivor benefit that the lower earner will receive if the lower earner outlives the higher earner.

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