Social Security Benefits - Interview with Mark Kiner

Rob: Mark, welcome to the show.

Mark Kiner: Thank you Ray. Thanks for having me. I appreciate it—I mean Rob...

Rob: That's okay. I've been called much worse.

Mark Kiner: Okay.

Rob: As I mentioned to you, I had some readers ask me about social security. How do they calculate it? What are the strategies? It's something that I'm just not familiar with. So I found you. And you happen to be a social security expert. How does one become an expert in social security?

Mark Kiner: You team up with a 35-year veteran of the social security administration. That's how it happens. Rob, I'm a CPA and I've been practicing for about 35 year. Four years ago I teamed up with Jim Blair. Jim's worked with the social security administration for 35 years and that's how I got into this. I just saw a need to help people the benefits and to help educate advisors.

Rob: So is that your full time job, helping people figure out the best approach for taking social security benefits?

Mark Kiner: My full time job is involved in the social security consulting industry. Some of it is helping individuals to understand and maximize their benefits but the majority of our time is spent educating advisors nationwide about social security and about increasing their value to their clients.

Rob: So you help the people that are helping the people?

Mark Kiner: Yes, we do. We're like the advisor to the advisor.

Rob: Do you go around the country giving seminars and whatnot to CFPs and the like?

Mark Kiner: All across the country. North to south, east to west. Chicago, New York, Florida, San Jose, California... And after we're done today I'm heading out to Detroit, Michigan.

Rob: Okay. Good, alright. I know from talking to you before we hit the record button, you're a Cincinnati Bengals fan.

Mark Kiner: Yes I am. And a Cleveland Browns fan. I grew up in Cleveland and moved here in 1967 so the Browns are my first based football team. I do want them to win all the time. Of course, that doesn't happen so I fall back on the Cincinnati Bengals.

Rob: I grew up in Columbus as I mentioned. And since I'm a Pittsburgh Steelers fan, you're probably pretty happy that we lost to the Browns?

Mark Kiner: Extremely happy!

Rob: Yeah.

Mark Kiner: Pittsburgh has had it too good since 1975, right?

Rob: They have won a few of the big games. That is true. They've had their time in the spotlight.

Mark Kiner: They have. Don't make me too jealous here, Rob.

Rob: No, I won't. Absolutely not. Well, the Browns and the Bengals both are decent teams. At least compared to the Steelers.

Mark Kiner: Yeah, but you never know.

Rob: Yeah.

Mark Kiner: With football— it's an interesting sport. A lot of parity nowadays. A lot of parity.
Rob: Well, I think just about everybody was a Cincinnati Reds fan in the 70s. How could you not be?

Mark Kiner: Oh, they were!

Rob: So, okay... social security. This is an issue (at least in my mind) that is so complicated and one I know so very little about it's almost hard to know where to start, Mark. I guess I'm going to kind of open it up to you, but if someone is approaching this issue— they're about to retire and they're at that age where they can take social security, how do they even begin to start to figure out the best approach for taking social security?

Mark Kiner: People need to either do their homework or do some research by going to the social security website and Google social security options. Or talk with a qualified advisor. More than 90 percent of our recipients do not maximize their benefits.

Rob: I'm sorry, what percentage was that?

Mark Kiner: Ninety percent.

Rob: Wow!

Mark Kiner: It's probably closer to 95 percent. And that means they can be easily leaving between $100,000 to $150,000 on the table by not exploring their options. The folks out there don't understand their benefits. Neither do their financial advisors or tax preparers or the professional advisors they may work with. That's why Jim Blair and I saw a need to educate the advisors nationwide, so they can better help their clients. A lot of people think they can go down to the social security office and review all of their options. But that's not correct. The folks down at the social security office are basically just 'order-takers.' You need to know what you want to do before you go down to the office to apply because they're not able to help you. They've been directed by the Commissioner in Baltimore not to review options with you. And, over the past 3 years social security has lost 11,000 people. That's 30 years plus for each person they lost, walking out the door. If you go down there and ask them to review your options and you throw out some of these terms we're going to talk about later today, like, claim and suspend, to restrict application— they're likely to tell you those options went away a few years ago. They may even tell you those options were not even available. People really do need to do their homework before they apply for benefits. That's why the social security industry is really starting to grow.

Rob: You mentioned that 90 percent or more don't maximize their benefits. Can you give me some ideas of common mistakes people make that result in not maximizing their benefits?

Mark Kiner: Oh, very easily. The first mistake is that people assume the social security reps will help them understand their benefits. The social security representatives will tell you what are available at age 62, 66 and 70 because that's right on your social security benefits statement. But, they're not able to help to coordinate spousal benefits and they're not able to help you maximize surviving spouse benefits. So they're not able to help you really maximize your social security benefits. Another mistake is, people don't understand that social security may very well be a joint lifetime benefit. Upon the passing of the husband, a wife will generally step into his shoes, so if he takes his benefits at age 62 and takes a 25 percent haircut, that haircut will last two lifetimes. Whereas, if he waits until age 70 and gets those delayed retirement credits of 32 percent, that increase in benefits will also extend over two lifetimes. When clients come in to meet with us, Rob, we always encourage them to look at social security as being a joint lifetime benefit. We really want to look at not just one spouse because that's not going to help couple to maximize their benefits. We want to look at both spouses.

Rob: Let me stop you there. I want to hear about more mistakes but I also want to make sure everybody's following this because, the thing is, Mark, obviously you know this stuff backwards and forwards—

Mark Kiner: I do, yes. But I—

Rob: I just want to make sure everyone understands. One of things you said was if someone takes their benefits at 62 and takes a 25 percent haircut... What does all of that mean?

Mark Kiner: That means their benefits are reduced by 25 percent. So, if somebody's benefit, at their full retirement age which is age 66 for the folks listening to this recording. That benefit at full retirement age is $2,000. Let's assume
they decided to take their benefit at age 62, because that's the earliest age that somebody can collect their benefit or begin their benefit. Now their benefit is reduced by 25 percent, down to $1,500. So it's gone from $2,000 to $1,500. And that $1,500 benefit amount will be paid over that person's lifetime and quite possibly the lifetime of a surviving spouse. Let's say the same individual decided to wait until age 70. Now, if you wait past age 66, you get those delayed retirement credits. Eight percent more per year. If you wait until age 70, you're benefits will now have gone up 32 percent. That's 4 years times 8 percent. So a $2,000 benefit at age 66 is now $2,640 at age 70. That 32 percent increase will also be paid over two lifetimes. The difference in benefits between age 62 and age 70 is 75 percent. It's a very large increase.

Rob: Okay. That's a very helpful explanation. Mistake one is assuming the social security rep will help you with the strategies and two is not thinking about joint and lifetime benefit—like starting to get your benefit at 62 for example, and taking that 25 percent haircut which can not only affect one spouse, but then potentially the other spouse as well.

Mark Kiner: Correct. Yes.

Rob: By the way, before I get to the next common mistake, is there ever a time when it makes sense to take your benefits at age 62?

Mark Kiner: Yeah. Let me throw out a couple reasons why someone might want to begin their benefits at age 62. One, their lifespan is not expected to be past age 65 or 70. Some folks and members of their families just don't live a long time. So, if people don't live past 70 in your family, why wait to 70, right?

Rob: I suppose, yes, if you're sick.

Mark Kiner: Right. And, if you're out of work and you really need the money, you might want to collect your benefits at age 62. Collecting benefits at age 62 means you get your money even faster, quicker, earlier. If you really look at the time value of money, then collecting a dollar today is worth more than collecting a dollar in 20 to 25 years. Collecting at age 62 allows you to receive some sort of income stream a little earlier. We're not against people taking their benefits at age 62. We want people to at least research—understand their options. If, after reviewing their options they decide to take benefits at age 62 because it's the best thing for them to do, we're fine with that. We just don't like it when people decide to take benefits at age 62 because they feel like it's their time to do it or they think social security is going to run out of money. That's not going to happen! It's a government program. The government's not going to run out of money. We're not against somebody collecting at age 62 but we want them to really think about it before they do so.

Rob: A lot of this seems to me as though you look at your options and then you have to take your best guess because a lot of it is going to depend on how long you'll live which none of us knows. There are pros and cons I suppose to each approach, but am I correct that you're not going to know for sure what's the absolute best approach because you're not going to know how long you're going to live?

Mark Kiner: That's a really good question, Rob. How long are you going to live? We kind of look at the family. If somebody's parents are still alive then they're likely to live into their 80s and 90s.

Rob: Right.

Mark Kiner: If their parents die before 70, their lifespan could be a little shorter. However, though, keep in mind—and this is probably a very good lesson for listeners... Back in January of 1940 social security started to pay out monthly benefits. Ida May was the first person to receive a monthly benefit and hers was $22.54 a month. She lived until the ripe old age of 100.

Rob: Good for her!

Mark Kiner: Yes.

Rob: She got her money's worth.

Mark Kiner: She did. She received a benefit for 35 years. Back then people didn't live to 100. There's no doubt. The average age was 60, yet the program paid you out at 65. It was a great program for the government, right? They tax
but don't pay anything out. Today folks are living into their late 80s, 90's and even into their 100s. Jim and I were flying out to San Diego and had a layover in Philadelphia so I picked up the Philadelphia newspaper and looked at the obituaries and found a lady who lived to the age of 107. Folks now may very well receive their benefits 20, 30 or even 40 years. You really do need to make a wise decision early on. If you take your benefit at 62 and take that 25 percent reduction in benefit amount and you live to the age of 100, you're going to receive 34 years of reduced benefits. I really want people to think about their benefits really long and hard before they decide to apply for benefits.

Rob: So social security does potentially go up every year based on inflation, is that right?

Mark Kiner: That's correct but you cannot rely on COLA (Cost Of Living Adjustments) adjustments. You've seen them over the last few years ranging from 1.7 percent this year— three years ago 3.6 percent. But there are some COLA adjustments that were zero because of the collapse of the financial market and the housing market. But over the last 20 or 25 years I think COLA adjustments have averaged between 2 and 2 1/2 percent. Benefits may go up for a couple of reasons. One, COLA adjustments will increase your benefits but also, if you continue to work while receiving a benefits, social security will re-compute your benefits and your benefits may go up. Now, continuing to work after you start benefits does not always relevantly increase benefits, but it might. Benefits are calculated by taking into account, 35 years of earnings so your first job at Wendy's in 1975 is part of the equation. We index your earnings for inflation so we're using indexed earnings. Let's say for part of the last 35 years worth of earnings was $75,000 because we've indexed your earnings for inflation. If while you're receiving a benefit your earnings are maybe $50,000, that by itself is not high enough to increase somebody's social security benefits. So if you continue to work while you're receiving your benefit, two things will happen; one, you're going to continue to pay social security tax and two, it's very unlikely that your benefit will go up.

Rob: That's if you're working while you're also receiving benefits?

Mark Kiner: That's correct. Yes. Social security will always re-compute your benefits but it doesn't always mean your benefits will go up. They'll never go down, but they may not go up.

Rob: Is there a difference between working and receiving benefits before you reach your full retirement age versus after?

Mark Kiner: A large difference! If you're under your full retirement age—and let me explain. For people out there who were born 1943 and 1954, their full retirement age is 66. So if you're under age 66 and you're collecting a benefit, there is a limit on how much you can earn before social security will withhold some of your benefits. That limit is $15,480 in wages. If you're aged 63 and receiving a benefit and you earn $25,480 in earnings that year, then you've gone $10,000 over that threshold. Social security will withhold $5,000 in benefits. They withhold $1 for every $2 in excess earnings. In this example they're going to withhold $5,000 in benefits. If you're receiving $1,000 a month, they'll withhold $1,000 for 5 months. If you're receiving $2,000 a month, social security will withhold 3 monthly checks totally $6,000. Now, we realize that in this last example they withheld $1,000 too much, but social security does not withhold partial checks. They're just going to keep the whole thing. What will happen is, at the end of the year when social security finds out how much you've earned—if you've only earned $24,480, they'll send you back $1,000. If you've earned more than $24,480, then they'll send you a 'Dear John' letter saying you owe them some money. And, if you've earned less than $24,480 in this example, they'll send you back more than $1.000.

Rob: I've got to tell you, lawyers must have come up with this. That's the only possible explanation...

Mark Kiner: Yeah, I— it is confusing, I agree.

Rob: I blame the lawyers. And by the way, I'm a lawyer so I can do that.

Mark Kiner: Okay, fine. I can go with that.

Rob: So that's the deal if you're under full retirement age and working and receiving benefits?

Mark Kiner: Yes.

Rob: Once you hit full retirement age, all that stops, right?
Mark Kiner: It does. It stops and earnings tax goes away. Rob, the earnings tax goes away the month you turn 66.

Rob: Okay.

Mark Kiner: Not the day, but the month you turn 66.

Rob: I know we kind of started all of this with common mistakes but we've sort of moved back. We may return to that but one thing that I wanted to ask you is, are benefits ever taxable? And if so, how does that work?

Mark Kiner: Benefits may be subject to taxes depending on what amount of other income you have. If you're filing a joint return with your spouse and your total income without any social security benefits is greater than $32,000, you may pay a tax on up to 50 percent of your social security benefits. If your income is more than $44,000, you may pay tax on up to 85 percent of your benefits. So yes, after the $30,000 of total income, you may be paying some tax on your benefits. The problem that most folks have is that they don't have any taxes withheld. They can, but they don't. So, at the end of the year they find out that they owe tax because some of their social security benefits are now taxable. We always encourage people to have taxes withheld if they think they're going to owe taxes on their benefits.

Rob: So the social security administration will withhold taxes from your check?

Mark Kiner: Yes they will—

Rob: Isn't that nice of them? What a nice service they provide.

Mark Kiner: Let me tell you which form you need to complete. It's a W-4V form. You complete that and they'll withhold some federal income tax.

Rob: For these numbers you gave us, like 50 percent taxable if you make income greater than $32,000, that income (I would assume) would include distributions for a 401k or an IRA?

Mark Kiner: Correct. It includes all the earned income even your gambling winnings, your lottery winnings. It will include IRA distributions—

Rob: I don't have much gambling winnings, but I guess...

Mark Kiner: You probably have more losses, I'm sure!

Rob: Touché.

Mark Kiner: But it does include all of your income. Correct.

Rob: Alright. Let's go back to common mistakes. Rather than going into a list, maybe we can talk in 'case' scenarios. For example, someone who is single that's never been married and they want to make this decision about when to take benefits. For someone like that, is the only decision, when?

Mark Kiner: A single person would generally have about three to four options. They can take their benefit at age 62 and other ages up until age 70. The first three options are, age 62, age 66 and age 70. There's another option available to a single person that they might want to consider. It's what we call, file and suspend. Let me explain how that works by talking through example. Jane comes into the office. Her benefit at age 66 is $2,000 and she's single so there's no young kids out there, no spouse, no ex-spouses. At her age of 66 she can collect $2,000 a month. She comes in and tells us she's going to live to 100 and she wants to delay her benefits until age 70 so she can take advantage of the delayed retirement credits. If she tells us that, we will tell Jane to utilize 'file and suspend.' File an application at age 66 but tell social security not to send her a check. This way she's building up a cash reserve. Fast forward two years. Jane is now 68 years old. She needs money for long term care—medical costs, grandchildren, education, whatever. She can call social security up and they will send her a check for $48,000. That's 24 months times $2,000 a month. By doing the claim and suspend or another name is, file and suspend, she's now building a cash reserve an she can call social security up and they will send her a check for all benefits not paid to her yet. If she doesn't do the file and suspend, they can go back six months. But if she does do the file and suspend, they can go back until the earliest date she filed it (in this case, age 66). It helps somebody build a cash reserve. We won't tell
a person to wait past age 66. If, in my example, Jane waited past 66 and she died at age 68 without collecting a
benefit, then no money will be paid off her work history.

Rob: Okay, let me just back up here one second. For someone who is single, you do not recommend that they wait
until 70?

Mark Kiner: No, we don't.

Rob: Okay.

Mark Kiner: And that's because if they die at 68, 69 or even 66 and a half and they haven't collected the benefits,
then nobody's going to collect the benefit. So for a single person, it's risky. However, though, if they end up living to
95, then waiting probably was a wise decision. But we can't call that at age 66.

Rob: Right, right.

Mark Kiner: I'm actually single, raising two great boys and my full retirement age is 66 and four months. I will claim
the benefit at my full retirement age. I'm not going to wait until age 70.

Rob: The file and suspend, or as some call it, claim and suspend— they file for social security at age 66 but tell the
social security administration to hold onto the money for them and don't send any checks?

Mark Kiner: Right.

Rob: Why do that? Why not start taking the money?

Mark Kiner: Because if you do the file and suspend and you don't decide to turn your benefits on until you turn age
70, you'll get 32 percent. If you take the increase—

Rob: Oh, I see.

Mark Kiner: If you take your benefit at full retirement age then it's at that amount. So, Jane comes in at age 66 and
her benefit is $2,000. She doesn't need to do anything to get the delayed retirement credits. She can just wait until
age 70 and she'll see her benefits go up by 32 percent.

Rob: I see. So if you claim and suspend and keep it suspended until age 70 you get the benefit it would be just as if
you filed at age 70, in terms of the benefit amount?

Mark Kiner: You've got it! That's exactly what it is.

Rob: But the reason you don't wait is because if something were to happen between 66 and 70 and you needed the
money, you can tell social security, "Never mind. I want to undo the suspension. Send me all the money that's been
building up since I filed at age 66."

Mark Kiner: You've got it! Isn't that a great tool?

Rob: That's like having your cake and eating it too.

Mark Kiner: It really is. If you decide to cash in your chips (that's what we call cashing in your chips) you don't get
any of those delayed retirement credits. They don't even pay you any interest but yet you have access to all this
cash. Not a bad deal.

Rob: Is, cashing in your chips as euphuism for dying?

Mark Kiner: No, no. Cashing in your chips—

Rob: Okay. I just wanted to make sure.

Mark Kiner: That's when you've decided not to collect the delayed retirement credits.

Rob: It's early in the morning so I'm slow.
Mark Kiner: I understand. Don't worry. We give this class every week and that's how we refer to someone who doesn't claim it and get that distribution.

Rob: Okay. On this show, dying means you get hit by a truck. So, if you file and suspend at 66 and at 68 you get hit by a truck, what happens to all the cash that's built up? Does it go to your beneficiaries?

Mark Kiner: No. And that's the problem. That's why we won't tell a single person to wait past 66 because even if they do the file and suspend and then they get hit by that truck, nobody inherits those social security benefits. They're just lost.

Rob: Really, the benefit then would be, if they didn't die but wanted to get the money before 70, it's there. It's built up?

Mark Kiner: You've got it. Yes.

Rob: Does the file and suspend make sense for people other than those that are single?

Mark Kiner: Definitely. It makes a lot of sense for married couples. File and suspend allows a spouse to collect spousal benefit. Let me tell you how that works. Let's just assume I'm aged 66 and I'm eligible for $2,000 off my work history. My wife never worked. She's not eligible for any social security benefits on her own work history but she can get a spousal benefit off of mine. She's not eligible for a spousal benefit off of me unless I'm receiving my benefit or I do the claim and suspend at my full retirement age. So, at my full retirement age which is age 66, for example, I will file an suspend which allows my spouse to collect a spousal benefit off of me. I'm not collecting my benefit. I'm getting those delayed retirement credits, but now she's collecting a spousal benefit. If she's eligible for $1,000 a month in spousal benefits and she's age 66, she can collect that $1,000 in spousal benefits. If I don't turn my benefits on and I don't do claim and suspend, then my wife cannot collect a spousal benefit. For a married couple, claim and suspend allows a spouse to collect a spousal benefit off the worker while at the same time, the worker is waiting until age 70 to collect their benefit and get those delayed retirement credits.

Rob: That's pretty nifty.

Mark Kiner: It is. And this is the second leg in the three-legged stool. We put together a three-legged stool for married couples to maximize their benefits. The first leg is, one spouse waits until age 70. It could be both, but at least one. The second leg is coordinating spousal benefits by using the claimant's span, or there's another term we'll talk about, called restricted application. The third leg is to maximize surviving spouse benefits. If a married couple could have all of these legs in their plan, they'll get the most money out of their social security benefits.

Rob: Well, let's break those down.

Mark Kiner: Sure.

Rob: You already gave us the example of one spouse files and suspends at 66 so the other spouse who didn't work can start receiving spousal benefits. In that example you assumed the 66 year old who filed and suspended would get $2,000 a month. Then the spousal benefit you mentioned was $1,000. Are spousal benefits usually half of the spouses benefits?

Mark Kiner: It is. Spousal benefit is half of the other spouse's full retirement age benefit. So, if my full retirement benefit is $2,000 my wife can collect $1,000 in spousal benefits at her full retirement age. It's basically half of what the worker, or the other spouse's full retirement benefit is.

Rob: Okay. For this to work, does the working spouse (who's going to file and suspend) need to wait until their full retirement age?

Mark Kiner: Yes. Yes, they do. That's very important to note that. To do the file and suspend you must be at least full retirement age which is age 66 nowadays.

Rob: Alright—

Mark Kiner: I cannot do it at 62 but I can do it at age 66.
Rob: Okay. For the spousal benefits to kick in, does the spouse also have to be at his or her full retirement age?

Mark Kiner: No, no. For a spouse to collect their spousal benefit the spouse only needs to be at age 62. However, if the spousal benefit is taken at age 62, it is reduced by 30 percent. So a $1,000 spousal benefit at age 66 now turns into $700 at age 62. And it doesn't magically go up to $1,000 at age 66 though, Rob. It stays reduced for the rest of that person's life.

Rob: That makes sense. File and suspend where the spouse gets the spousal benefits, that's leg one of the three-legged stool, right?

Mark Kiner: No, that's actually leg number two.

Rob: Okay.

Mark Kiner: Yes, leg number two. We call that coordinating spousal benefits. And that's how people get more money out of the system. Leg one is waiting to age 70.

Rob: Tell us about that.

Mark Kiner: If one spouse waits until age 70 then that spouse's benefits will go up by 32 percent due to those delayed retirement credits. And so when we look at this as a married couple's top three options to take their benefits. Those options will always include at least one spouse waiting until age 70. If the husband waits until age 70 and he collects 32 percent more, then upon his passing, his wife will probably step into his shoes and receive the 32 percent more for the rest of her life also. The first leg has at least one spouse waiting until age 70. Both spouses can wait until age 70 too, but that's not always in the first leg. At least one spouse needs to wait to age 70 for a married couple to maximize their social security benefit.

Rob: So that's the best scenario? If you can do that, that's what a couple should do?

Mark Kiner: You've got it, yes.

Rob: Then file and suspend is the second leg which is sort of the second alternative. If you can't do—

Mark Kiner: Yes.

Rob: If you can't do number one, then do number two?

Mark Kiner: No, no. They're not mutually exclusive. You do them all together. On leg one, one spouse will wait until age 70. The other leg is where you're going to coordinate spousal benefits by doing the claim and suspend or the restricted application or both. Then the third leg is maximizing widow benefits. So you can combine all three strategies into one option. That's how you maximize your benefits.

Rob: I want to make sure I understand this. One spouse can wait to age 70 by—and tell me if I've got this right or wrong... One spouse can wait to age 70 by at age 66 filing and suspending it and not collecting benefits until they're 70?

Mark Kiner: Yes. But one spouse can wait until age 70 by doing nothing.

Rob: I thought the theory was that you want to file an suspend at 66 so that your spouse could start getting benefits?

Mark Kiner: True. You are correct. However, if that's your focus— you want your spouse to collect a spousal benefit, then yes, the spouse—and let's just say it's the husband for now. The husband will file and suspend at age 66. But also, to get those delayed retirement credits at age 70, you don't have to file and suspend. You can wait until age 70. However, by filing and suspending, it may allow a spouse to collect a spousal benefit.

Rob: Oh, okay.

Mark Kiner: So, yes. You are correct, technically.

Rob: Okay. You mentioned another term that I want to make sure I've got right, restricted application. What does that mean?
Mark Kiner: This is fun. Restricted—

Rob: Oh, okay, because we haven't had fun yet. Now we need fun. Good...

Mark Kiner: I think all this stuff is fun. A restricted application allows me to collect a spousal benefit off of my spouse while I'm waiting to age 70 to collect my own benefit. Let's look at an example. My benefit at age 66 is $2,000 a month. I can collect my benefit at age 66 and get $2,000 but I would prefer to wait until age 70 because I want those delayed retirement credits. I'm also eligible for a spousal benefit because my wife worked and has earnings. My spousal benefit off of her, let's just say is $750 a month. I'm eligible for that so at age 66 I will file a restricted application to claim only a spousal benefit, leaving my own benefits untouched. So at age 66 I file a restricted application and I start to receive $750 a month. And I'll receive that for 48 months. Then at age 70 I turn on my own benefits which have now gone up by 32 percent from $2,000 to $2,640. A restricted application allows me to collect a spousal benefit off my spouse, leaving my own benefit untouched. If my wife and I are both going to wait to the age 70, then one of us must turn on a spousal benefit. I can do that by filing a restricted application or she can do it by filing a restricted application to collect a benefit off of me. But one of us must collect the spousal benefit. That's what we call coordinating spousal benefits. That's leg number two of our three-legged stool. Let me back up, though. The claim allows my spouse to collect a spousal benefit off of me and the restricted application allows me to collect a spousal benefit off of my spouse. And in both situations I'm waiting until age 70 and I'm going to get the 32 percent increase. Now, I can't do either of these two strategies until I reach full retirement age. So there's a lot of myths out there at these cocktail parties. If your listeners go to a cocktail party and they're told that they can file a restricted application for a spousal benefit at age 62 and turn their own benefit on at age 70, that's just completely false. They can't do that. You can only file a restricted application for a spousal benefit upon reaching full retirement age and not earlier. Your listeners need to realize that what they hear at a cocktail party will probably not be correct.

Rob: So, to both file and suspend and to do a restricted application you need to be at full retirement age?

Mark Kiner: Yes. That's correct. Yes.

Rob: Does one spouse have to file and suspend for the other one to file a restricted application?

Mark Kiner: Yes. Let me explain how that works. In order for my wife to collect a benefit off of me, two things have to happen. Number one, I need to be aged 62.

Rob: Sixty-two or 66?

Mark Kiner: Sixty-two.

Rob: Okay.

Mark Kiner: For my wife to collect a spousal benefit off of me, I have to be at least 62. I can be older, but at least 62.

Rob: Okay.

Mark Kiner: Number two— and this is more important. I need to be either collecting my own benefit or do the claim and suspend. So at age 66 I will do the claim and suspend which now...

Rob: You could do it at 62 but you're waiting until 66 to get the full retirement benefits?

Mark Kiner: Yes. That's correct. Well, really Rob, I'm waiting until age 66 because if I file for benefits prior to age 66, my benefit will be reduced and I don't want them reduced.

Rob: Right, right.

Mark Kiner: And, I want those delayed retirement credits so I want to wait until age 70. At age 66, in order for me to allow my wife to collect her spousal benefit off of me, I have to do the claim and suspend and I can only do that upon reaching the age of 66. I could turn my own benefits on earlier, allowing my spouse to collect the spousal benefit earlier but then I take a haircut.

Rob: Right.
Mark Kiner: If my goal is to wait until age 70 then I have to be at least age 66 in order to do the claim and suspend. Let me throw out an example. My wife and I are both aged 66. We’re both eligible for $2,000 a month in social security benefits and we both want to wait until age 70. What I would do is file the claim and suspend application at 66. My wife then would file a restricted application, filing for only spousal benefits at her age of 66. So she begins to receive half of my benefit or $1,000 a month at her age of 66. Then at age 70 she and I switch to my own benefit and we both receive the delayed retirement credits. That is one way for a husband and wife to utilize both the claim and suspend (I’d do that) and the restricted application (my wife does that). At the same time, we’re getting 32 percent more by waiting until age 70 to collect our benefit. Coordinating spousal benefits is using these little-known options; file and suspend (another name is claim and suspend) and the restricted application. They don’t both need to be used. But sometimes they are both used.

Rob: At age 66, can both of them file and suspend and can both of them file a restricted application?

Mark Kiner: Let me ask you that question... Can they?

Rob: I’m guessing the answer is no because it sounds too good to be true.

Mark Kiner: You’re right. The answer is, no. The reason why is, in order for my wife to collect the spousal benefit off of me, I have to be either collecting my benefit or I can do the claim and suspend. A husband and wife cannot be collecting a spousal benefit off of each other at the same time. However, let me say this... And ex-husband and an ex-wife that have been divorced more than two years and are both at least age 66 can both file a restricted application to claim a spousal benefit off of their ex at the same time. You just can’t do that if you’re married to the same person.

Rob: So you’re saying everyone should get a divorce at age 64, then two years later... No, I’m just kidding.

Mark Kiner: No, I’m not really saying that—

Rob: I know. It was a really bad joke.

Mark Kiner: But also for a divorced individual to file off an ex they have to have been married for at least 10 years.

Rob: I wonder if we can go back to the three-legged stool for a moment. I want to make sure I have all three legs.

Mark Kiner: Sure.

Rob: One spouse waits until age 70. That’s leg one?

Mark Kiner: Yes.

Rob: Leg two is file and suspend?

Mark Kiner: And restrict application.

Rob: Right—

Mark Kiner: A better name for that is coordinating spousal benefits.

Rob: Okay.

Mark Kiner: So leg one is wait until 70. Leg two is coordinate spousal benefits. And what’s the third leg?

Rob: Maximizing surviving spousal benefits.

Mark Kiner: You’ve got it! Pretty simple.

Rob: I’m in Evernote taking notes while we do this.

Mark Kiner: I’m testing your knowledge, Rob.

Rob: Well, I have to write the show notes to this so I’m trying to take the best notes I can. Okay. Have we already talked about maximizing the surviving spouse benefit. We haven’t, have we?
Mark Kiner: No, we have not.

Rob: Tell us about that.

Mark Kiner: Upon my death, my wife—let's assume she's not eligible for benefits at all. My wife will step into my shoes and collect what I was receiving when I died. If I died at aged 75 and I was getting $2,000 a month she would get $2,000 a month at her full retirement age. Let's take it a step further. Let's say I decided to take my benefit at age 62 and as a result my benefit was reduced by 25 percent. Upon my death, she would receive 25 percent less per month because my benefit was reduced by 25 percent because I began them early. So far, so good?

Rob: Yep.

Mark Kiner: Okay. Let's say I want to leave more money to my surviving spouse. To do that, I would wait beyond full retirement age. Let's assume I waited until age 70. My benefit went up by 32 percent to $2,640 from just $2,000 a month. Now, upon my passing, my wife would get $2,640 for the rest of her life. That's what we call maximizing surviving spouse benefits. The husband (or it can be the wife) waits until age 70 and gets more money out of the system because the benefit has increased 32 percent and as a result of his passing, his surviving spouse will get more money monthly because the monthly benefit is higher because he waited until age 70 (to take the benefit). That's what we call maximizing surviving spouse benefit. And that's why we always tell our clients to look at social security as being a joint lifetime benefit. At the passing of the husband, a wife may step into his shoes and generally will. So, if he waits until age 70, she'll get more money for the rest of her life. If she lives 10, 15, 20 years after he passes away, she'll be receiving a larger benefit for that long a time period. That's why...

Rob: It sounds—

Mark Kiner: Sorry, Rob. Go ahead.

Rob: I was just going to say, it sounds like if you follow legs one and two of the three-legged stool, if one spouse waits until age 70 and you coordinate spousal benefits, then the third leg falls into place.

Mark Kiner: It really does. But you know, Rob, we needed three legs!

Rob: Yeah, or you'll just fall over if you've only got two.

Mark Kiner: You've got it. A two-legged stool... Unless it's going fast enough down the highway, it's going to fall over. We had to give it a third leg and this is the leg we gave it.

Rob: Alright. We've talked about claim and suspend. We've talked about restricted applications. A reader—I should say a listener wrote in mentioning something about claiming a file and switch?

Mark Kiner: It's the same thing as claim and suspend.

Rob: I see. Okay.

Mark Kiner: I'm sure—We don't use that term often. We never say file and switch. It's really claim and suspend.

Rob: Alright. Another—I'm sorry, go ahead.

Mark Kiner: I was just going to say, if your reader says I'm wrong, let me know because maybe they think file and switch is something different. It could be, but I don't see it though.

Rob: Okay. Another question this listener emailed me about. By the way, his name is Ron. At least I think his name is Ron. I hope I got his name right. I've got it in my notes. Anyway, he went to a seminar on social security and one of the things they said—I guess he'd gone a number of years, owned some businesses, worked, paid a lot into social security but had gone a number of years not paying into the system, about 15 years or so. His question was, "Can you rely on the social security statement to get an estimate of benefits?" The person running this conference or seminar said, "No, the estimate did not take the unpaid years into consideration." He was told there was no way he could know his actual benefits without actually filing for social security. Help us with that. Oh, and by the way, the person running the seminar said it would be possible to estimate what those benefits would be using complicated calculations and that he/she would be happy to do that for $400.
Mark Kiner: Ah, well, then it's a sales pitch. That's all it is. It's true though. You'll never know the exact amount of your benefit until you apply. There's no doubt about that. All the earnings will be taken into account. I'm fine with that. However, your social security benefit is a great starting point. It gives you an estimate at three ages, 62, 66 and 70.

Rob: This is the social security statement?

Mark Kiner: Yes. The statement. It's on page two. The benefit statement is a great way to estimate your benefit amounts. It's the first place to turn to. There is an inherent problem though with the social security statement and the benefits estimates. The problem is, social security will assume you're earning X-number of dollars all the way up to age 70. They're going to assume you've earned the same income that you received in the prior year, all the way up until age 70. So, if your earnings the previous year were $100,000, social security would basically estimate your benefits on $100,000 of continued earnings all the way up to age 70. If somebody reduces their workload and receives $50,000 instead of $100,000 a year in earnings, then their benefit estimates will be on the high side. The reverse is true as well. If they increase their workload, then the benefit estimates will be on the low side. However, it's a great place to begin. You can also go to the social security website which is ssa.gov and you can use their benefit calculators to get a better idea of your estimated benefit. But, the fact that this advisor said you could only find out your actual benefit amount when you apply is correct, because all the earnings aren't known.

Rob: Do the benefit calculators on the social security website allow you to input exactly what your earnings were? Or does it just use...

Mark Kiner: Yeah, you can. It does.

Rob: It sounds like what the guy was telling him was somewhat accurate. I mean, if you've got all these years where you haven't earned income, yet SSA is assuming, for purposes of the social security statement, that you have earned income. In this case, I think he hadn't paid into the system since 1999 so if they're assuming he had paid into the system—

Mark Kiner: Yeah, but they're not going to assume that though, Rob.

Rob: Oh, okay.

Mark Kiner: This is what they assume. Let's assume I'm age 55 and let's assume that when I was 54 I didn't earn any money because I didn't pay into any social security. So from age 55 all the way to age 70, social security will assume I've earned nothing.

Rob: I got you. I got you. But if I'm 55 and I paid $100,000 into the system, they're going to assume I keep doing that until age 70.

Mark Kiner: Yes.

Rob: But in this listeners case, he hasn't paid in since 1999, so actually, his social security statement should be reasonably accurate.

Mark Kiner: Yes, it would be reasonably accurate. And that's always the starting point. Always.

Rob: Okay. You've given us a ton of information. Obviously this is very complicated and a lot is at stake for people.

Mark Kiner: Oh, it is.

Rob: Since you advise the advisors, if someone wants to hire a planner who has the expertise to do this, how do they find someone? Do they call you? Do they find someone in their local area? Do they find someone that you guys train? How do they find someone who knows what they're doing?

Mark Kiner: We train advisors nationwide to earn the National Social Security Advisors certification. We call that NSSA for short. If someone wants to find out if there is a national social security advisor in their neighborhood, they can give me a call or send me an email and I can let them know. More than half of our clients are not located in Cincinnati so we do take care of clients throughout the country. Make sure though, if your listeners are going in to talk to somebody about social security, try to make sure that there is no conflict of interest and that they're getting good,
unbiased, independent advice and assistance related to social security. There are a lot of people out there who call themselves social security consultants that know very little about social security. Try to look for someone who has earned the National Social Security Advisor certification.

Rob: Is there a list of folks? Is there a website where people can see—

Mark Kiner: There is a website. It's www.nationalsocialsecurityassociation.com. You can search the advisors by last name, first name, state and city.

Rob: That's perfect!

Mark Kiner: There are about 600 advisors nationwide that have earned the NSSA designation.

Rob: Okay.

Mark Kiner: And that number's just going to continue to grow. I get phone calls all day long from advisors across the country that want to learn more about our program.

Rob: So that's nationalsocialsecurityassociation.com. I'll also leave a link to that in the show notes so folks can search for advisors that have gone through your classes?

Mark Kiner: That's correct.

Rob: Do most of these folks—

Mark Kiner: Sorry. Let me just say too, Rob, just because they don't go through my class doesn't mean they're not qualified.

Rob: Right.

Mark Kiner: We want to make sure the advisor understands how social security works and how to put together the three-legged stool.

Rob: Do most of these advisors use software to input folks information to calculate what the best approach is?

Mark Kiner: They all use software. If somebody were to Google social security option software, they'd come up with maybe 50 hits. Professional advisors have a number of software programs they use. One of them would be Social Security Timing. One could be SS Income Planner. They range in price from maybe $100 to $1,000 a year. But nobody does this by hand. It's just too complicated. We all use software that's easily available on the internet.

Rob: If there are folks out there that are do-it-yourselfer's, who want to do it on their own, do you have any books, tools or resources that you would recommend they use?

Mark Kiner: That's a great question. They can Google. Or buy a textbook book from Amazon. Just Google social security advice and it'll come up with at least 10 books. I know I've read a lot of books. However, it's really hard to understand social security by reading a book. On the other hand, somebody can go online and Google social security options and they'll come up with some websites that are available to regular people out there. Mr. and Mrs. Jones out of San Jose, California can go to a website, put in limited information like their birthdates, what their benefit amounts are before retirement ages and the software will probably spit out 10 to 15 options.

Rob: Okay.

Mark Kiner: You may get the options out there given to you, but you really do have to understand what the options are telling you to do.

Rob: Right, right. Do you have any software that you'd recommend? Software that an individual can use?

Mark Kiner: I cannot really recommend any software, but I can tell you that Social Security Timing may have a software out there for the public. SS Income Planner also has a software for the public too.

Rob: Okay. I'll leave links to those. In terms of books, what's your favorite book on social security?
Mark Kiner: I've got three books here. I had to find them, Rob. I've got The Social Security Answer Book. And I have Social Security Medicare and Government Pensions. This book was written by Nolo, N-O-L-O.

Rob: Yeah, I know that one.

Mark Kiner: And I have Social— oh, that's the same book, just a different edition. Basically, Rob, in 2008 I bought three books on social security. I read them cover to cover and I ended up with more questions than answers. Social security is confusing or maybe I'm a slow learner. But one day I was introduced to Jim Blair who worked for social security for 35 years and Jim's been very patient with me ever since, helping me to understand how social security works.

Rob: That's great. I appreciate those books. One last question for you though. If someone does want to hire an individual, they go to your site...

Mark Kiner: Sure.

Rob: And that's how people should find you as well? At nationalsocialsecurityassociation.com, is that right?

Mark Kiner: Well, that website, Rob, will give people the names of advisors out there that have earned the designation. My website is different though. My website is, mypremierplan.com. That's how people can find out what we do. It's www.mypremierplan.com.

Rob: Okay. I'll leave a link to that in the show notes so that people can find you. If someone does want to hire someone to help them figure out their benefits, what should it cost? What would be reasonable and what would be being ripped off?

Mark Kiner: We charge $349.

Rob: That's what you charge? $349?

Mark Kiner: That's what we charge, $349. It's a one-time fee and it includes preparation of your options, a consultation with Jim Blair and follow-up questions to help you apply online.

Rob: Okay.

Mark Kiner: You can go online and probably find companies that will charge anywhere between $100 and $1,000.

Rob: Okay.

Mark Kiner: I'm not going to say $1,000 is too high and I'm not going to say $100 is too low. There is a whole gambit, a whole range of prices somebody might pay. We charge $349 because we don't want price to be an issue. We don't want someone to come in and even think about what our cost is. But also at times too, if someone goes in— I'm sure some advisors say it's free because they want the opportunity to sell folks something else.

Rob: Okay. Gotcha.

Mark Kiner: So they don't charge for doing the consultations.

Rob: Yeah, that's pretty common. I've seen folks who really want to manage assets and investments give away financial plans.

Mark Kiner: Yeah, they do. They do. And I'm not saying that's a bad thing. Believe me. Because we teach financial advisors all day long and I don't want to get their phone calls saying, "Hey, I don't like what you're telling people!"

Rob: No, no....

Mark Kiner: But that's what they wonder. Financial advisors want to bring people in, help them with their social security options and either charge nothing or maybe charge $100. At the end of the day, they want to be able to sell some additional products to them. We're different. We don't sell investments or insurance.

Rob: Right.
Mark Kiner: And that's why we charge $349.

Rob: At what age should someone contact you?

Mark Kiner: Age 60 of thereabouts, if they have not applied for benefits. That's perfect for us.

Rob: And once they have applied for benefits, is it too late to change it so they might as well not contact anybody?

Mark Kiner: Well, Rob, I'm glad you asked that question. There is a provision available called, the do-over. It allows somebody to withdraw their application and start fresh somewhere down the road. To withdraw your application though, you have to pay your benefits back. And it's good for one year. So, if you begin your benefits at age 62 you can withdraw your application and pay your benefits back within one year and start fresh down the road when you're age 70. Then you'd get the 32 percent increase for delayed retirement credits. There's also something else available, Rob. I didn't know whether we'd have time to get into this. It's called a voluntary suspension and it's only good when some reaches full retirement age. Let's say I begin my benefits at age 62 and I take the 25 percent haircut at age 62. Then at age 66 I have that 'V8' moment. I find out I could have waited until age 70 and got 32 percent more, thereby leaving more benefits to my wife when I'm gone. I can voluntarily suspend my benefits by calling social security up and telling them not to send me any more benefits until I call them back to resume them. So at age 66 I will suspend my benefits and at age 70 I'll turn them back on, increasing my benefit by 32 percent. I'd never get my maximum because I did collect four years of benefits, but at least I can get more money by waiting until age 70, thereby leaving more money to my spouse upon my passing. So the do-over is good for one year, but when someone reaches the age of 66 they can voluntarily suspend their benefits.

Rob: Great. Okay. That's terrific. More complexity, but I guess it's more options for folks.

Mark Kiner: It's more options. Yes. And people don't know that. Most people think, you know, they started at 62 and they're stuck with that for the rest of their lives. Well, that's not necessarily the case. You can suspend your benefits. But Rob, what if you suspend your benefits and forget to turn them back on? Now you're 75 years old! Well, you didn't turn them back on quick enough.

Rob: I would definitely set a reminder on my calendar.

Mark Kiner: Yeah. Me too. Nobody will forget to turn their benefits back on.

Rob: Well, Mark, you've been very patient with me as I try to understand this and I'm grateful. Before I let you go, one last question. And I promise, this one is the last question.

Mark Kiner: Okay.

Rob: Any tips or tricks or pitfalls? Things that I'm not smart enough to ask you that we should have covered?

Mark Kiner: I think the biggest thing people need to know, Rob, is that they do have options and they really do need to make a plan to understand how to maximize their benefits. Seventy-five percent of the folks that come to me have already made a plan. They've already made a decision on what they want to do. They have no clue that they'd end up forfeiting money based on the plan that they'd take. So people need to have an open mind. A lot of clients come in, they meet with Jim Blair because he worked with social security for 35 years. They don't meet with me because I'm just a CPA and they tell Jim they both want to wait until age 70. Jim will say that's fine, but if you both want to wait to age 70, one of you must collect spousal benefits between the ages of 66 and 70, it's kind of what we call free money. Sure, at age 70 they'll each get 32 percent more but now they're collecting a spousal benefit along the way. We always encourage our clients and advisors that come in to our class, to think outside the box. Don't just consider benefits at 62, 66 or 70. Think of ways their clients can maximize their benefits. That's by making a plan and utilizing the three-legged stool.

Rob: Great. That's terrific Mark. I really appreciate your time. You've just been a wealth of information and a ton of resources. I'll put all of that in the show notes. But I can't thank you enough for sharing your expertise with us today.

Mark Kiner: Rob, thanks for having me on. I'm very passionate about educating the public about social security and educating their advisors. We're just tired of people not knowing what their options are.

Mark Kiner: Thank you Rob. I appreciate your time and having me on the air today.