ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments

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Budget Bill Ends Lucrative Social Security Loophole
The House budget bill that President Barack Obama signed into law Monday was hailed on both sides of the aisle for pushing the often-contentious fight over federal spending and debt into 2017, after the next president has been elected.

One aspect of the bill, however, had some financial advisers howling. Without public debate or comments, Section 831 eliminated "file and suspend," a popular (and lucrative) Social Security filing strategy that enabled married couples to significantly boost their retirement income, often by tens of thousands of dollars or more.

According to the House of Representative's summary of the new law, Section 831 "closes several loopholes in Social Security's rules...to prevent individuals from obtaining larger benefits than Congress intended."

As we've discussed before, your Social Security benefit depends on when you file for it, and once you file, the amount of the monthly check is set in stone for the rest of your life based on what you've earned over your career. File at age 62 for early access, but at a reduced amount than if you file at "full retirement age" at 66. By waiting until age 70, you receive 32% more every month than if you'd filed at 66, and 76% more than you would by claiming your benefits at 62.

In addition, married individuals are entitled a spousal benefit of one half of their spouse's benefit claimed at full retirement age and/or Social Security benefits based on their own earnings, whichever is higher.

"File and suspend" arrived in 2000 as part of the Senior Citizens' Freedom to Work Act, lawmakers' attempt to encourage people to stay in the workforce into their late 60s. This complex legislation created a loophole that allowed married couples who are both 66 or older to delay claiming benefits based on their own earnings while collecting the spousal benefits based on the other's earnings, and then claim full maxed-out benefits at age 70.

How? Upon reaching full retirement age, one spouse files for Social Security benefits and immediately suspends them. Filing for benefits makes the spouse eligible for spousal benefits (which cannot be claimed until the primary worker files for them), but since the primary worker's benefits are suspended, the initial filer can earn the delayed retirement credits of 8% per year until age 70. At that point, the file-and-suspend spouse reclaims the benefit, now for good, and the other partner gives up the spousal benefit, instead taking the now-larger personal monthly pay.

As people took advantage of this filing strategy, concern began to grow in certain sections of the government that the system had been gamed, putting undue strain on Social Security's finances. The Obama administration's fiscal-year 2015 budget proposal released in early 2014 called for an end to "aggressive Social Security-claiming strategies, which allow upper-income beneficiaries to manipulate the timing of collection of Social Security benefits in order to maximize delayed retirement credits."

Under the new law, when you suspend your benefits, you're not only suspending them for yourself, but for anyone else entitled to benefits based on your earnings.

The new limitations will impact anyone who files and suspends more than 180 days after the legislation went into law. That means those who are interested in using this strategy have just a few more months to act—suspensions filed after April 30, 2016 will face the new restrictions (those who get in before the deadline or are have already filed and suspended will have their benefits grandfathered).

Social Security filing strategies are complex, with lasting repercussions—which approach you should take depends on your individual goals and situation. We encourage you to consult with a trusted financial adviser about if and how the new legislation could impact your future retirement income, or if you have any questions about how to best claim your Social Security benefits when the time comes.

Bond Fund Manager Departs Fidelity
Effective November 1, Rob Galusza and Rob Chan took over management for Fidelity Conservative Income Bond, replacing Kim Miller.

Miller, who will continue on as co-manager until the end of the year before leaving Fidelity, has managed the fund since its March 2011 inception.

Galusza and Chan are experienced Fidelity fixed-income investors, and given their current responsibilities—both presently oversee Limited Term Bond, and Galusza also manages Intermediate Bond and Short-Term Bond—Conservative Income Bond will be in good hands.

About Adviser Investments
Adviser Investments and its subsidiaries operate as an

independent, professional money management firm with particular expertise in Fidelity and Vanguard mutual funds. With 2,600 clients and over $3 billion under management, Adviser Investments is one of the nation's largest mutual fund research and money management firms. Our investment professionals focus on helping individual investors, trusts, foundations and institutions meet their investment goals. Our minimum account size is $350,000. In 2015, Adviser Investments was named to *Barron's* list of the top 100 independent financial advisers nationwide for the third consecutive year and its list of the top advisory firms in Massachusetts for the second time. We have also been recognized on the *Financial Times* 300 Top Registered Investment Advisers list in 2014 and 2015.

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