HoyleCohen
WEALTH MANAGEMENT

SOCIAL SECURITY & YOU

a three-part series

Robert Carnegie, CFP® / Senior Wealth Advisor
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Social Security, much like Medicare, is a program that most Americans will access at some point in their lives and, unfortunately, can be terribly confusing. To clarify some of the main ideas and questions about Social Security we have outlined this three-part series which will cover these topics:

1. **Making sense of Social Security & your statement**
2. **Common questions about individual social security benefits**
3. **Key questions surrounding spousal/survivor benefits & optimization strategies for couples**

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PART
3

Spousal & Survivor Benefits

- What is my benefit as a spouse & how can I claim it?
- Can I claim spousal benefits while delaying my own benefits?
- Can I claim my own benefits and switch to spousal benefits later?
- What are the benefits available to survivors?
- What are the best options for married couples?

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What is my benefit as a spouse and when can I claim it?

A spouse is typically eligible for **up to 50%** of the working-spouse's Primary Insurance Amount (PIA). The rules are that you must be married for at least one year and you must be at least age 62. Two very key points regarding spousal benefit amounts and timing:

- The **benefit amount** is **NOT** contingent upon when the working spouse claims their own benefit.
- However, the **timing** of a spousal benefit **IS** contingent upon when the working spouse claims their own benefit.

A spousal benefit cannot be claimed until the working spouse has claimed their own benefit.

The maximum spousal benefit amount becomes available when you, as the spouse, reach your personal FRA. Much like an individual's benefit, you can choose to take a reduced benefit early (as early as age 62) or wait until your FRA for the full benefit. However, unlike an individual's benefit, delaying beyond FRA provides no additional value (no +8% credits – see part 2).

(One note: Caring for a qualifying child under age 16 or disabled dependent may allow you to collect full benefits earlier.)

Can I claim spousal benefits while delaying my own benefits?

Generally, no. Congress changed the rules in 2015 to incorporate "deemed filing". Simply put, **whenever you file for Social Security, you file for all benefits available to you - your own and spousal.** This effectively disallowed the strategy of claiming spousal benefits while delaying / increasing your own benefit to switch to later. The only exception is if you were born before January 2, 1954, and your spouse is already collecting Social Security. If part of that small group, you still have this option via what is called a Restricted Application.

Can I claim my own benefits and switch to spousal benefits later?

Yes! This strategy could work in your favor. **If you cannot claim spousal benefits yet because your spouse has not yet claimed their own benefits, you can indeed begin collecting your benefits and switch to spousal benefits later if the amount is higher.** One caveat, however, is that an early claim on your own benefits can reduce spousal benefits as well, even if claimed at a later time, so tread carefully.

What are the benefits available to survivors?

Surviving spouses can receive **up to 100%** of the deceased spouse's benefit, and the amount depends on A) If the deceased spouse had claimed their own benefit already and B) If the deceased spouse filed an early or delayed claim. The major points to consider with survivor benefits that differ from spousal benefits are as follows:

- Survivor benefit amounts **ARE** affected by the decedent's decision to claim early (reduced) or late (enhanced).
    - **If you wish to better insure your spouse's longevity in addition to your own, there is a stronger case for delaying.**
- There are no deemed filing rules, and you can claim as early as 60 as opposed to 62.
    - If you have strong benefits coming to you based on your own work record, it might be advantageous to delay your own benefits while collecting survivor benefits.

What are the best options for married couples?

- **Both spouses claim early or at FRA.** Typically, this only makes sense if both are in poor health and neither is likely to live beyond average life expectancy. Statistically, this is unlikely but obviously possible.
- **Both spouses delay until 70.** For two higher-income earners in good health, this could be the highest-value option.
- **One spouse delays while the other claims prior to age 70.**
    - In this case, the best strategy would be to delay the higher-income earner's benefit until age 70 and claim the other benefit earlier.
    - **As long as one spouse lives beyond their early 80s (see part 2), this strategy often provides the highest value and best longevity insurance.**
    - **<u>Note it does not matter which spouse</u>** as the surviving spouse would continue to receive the higher benefit, either continuing to collect their own benefits as the high-income earner or by claiming survivor benefits.

