

CASE STUDY

Protecting the Surviving Spouse — Social Security Claiming Strategy

CLIENT PROFILE:

- Married couples nearing retirement
- One spouse is the primary breadwinner
- One spouse has a longer life expectancy

THE CHALLENGE:

- Many individuals do not realize the lasting impact of claiming Social Security benefits early or fail to develop a strategy altogether
- This lack of understanding can disproportionately affect women, who generally have lower Social Security benefits and statistically outlive their husbands
- One spouse has a higher Social Security benefit and chooses to claim their benefit early before Full Retirement Age (FRA) or any time before age 70, which permanently reduces the amount available to their surviving spouse for the rest of their life

To your clients, it may seem like a good idea to take Social Security income early. They may be eager, having worked hard all their career to accumulate benefits and pay into the system. Or, they may fear the stability and financial status of the system and want to ensure they have “their money.”

Regardless, as their advisor, simply discussing various claiming options with your clients could help them generate thousands of dollars in additional Social Security benefits over their lifetimes and ensure care for their widow. The below examples further explore scenarios.

HOW IT WORKS - DELAYING SPOUSAL BENEFITS:

- Joe is 67 and his wife, Mary, is 62
- Joe, an accountant, is the primary breadwinner of the family
- Mary, a homemaker, does not have a full 40 credits of earnings history, so she does not qualify for her benefit

| Joe Retires at Age 67 (FRA) | Mary at Age 62 |
|---|--|
| Joe claims his Primary Insurance Amount (PIA) of \$2,000 per month | Mary claims spousal benefits early, before her FRA |
| The spousal benefit is reduced from 50% of Joe's benefit to 33.13%, and Mary receives \$662.60 per month | |
| Joe passes at age 75, and Mary's benefit increases to \$2,000 per month , or the full amount that Joe was receiving when he passed | |

RETIREMENT SOLUTIONS



Ensure your clients are protected.

Palladium Group
provides *you* with
fiduciary-based risk
management strategies
for *your* clients.

Now, let's look at an alternative scenario where Joe delays claiming his benefits until the age of 70.

| Joe Delays Benefits Until Age 70 | Mary Also Waits Until FRA |
|--|-------------------------------------|
| Joe delays claiming his PIA | Mary claims spousal benefits at FRA |
| The spousal benefit increases by 132%, and Mary receives the full 50% of Joe's benefit or \$1,320 per month | |
| Joe passes at age 75, and Mary's benefit climbs to \$2,640 per month | |

Overall, this provides not only a 132% increase but an additional \$77,366.40 in total Social Security benefits over their lifetimes, assuming Mary lives to her full life expectancy of 86.2 years.¹

USING SURVIVOR BENEFITS TO MAXIMIZE SOCIAL SECURITY:

- Deborah is a 60-year-old retired dental hygienist
- Her husband, Ben, passed at age 63 before claiming his Social Security benefits
- At her FRA, Deborah has a PIA of \$1,600

She has two choices:

1. Claim her reduced benefit of \$1,200 at age 62 and switch to Ben's PIA of \$2,000 when she reaches her FRA for widows, which locks in for the remainder of her lifetime.
2. Claim her reduced widow's benefit at age 60 of \$1,430, a little more than 71% of Ben's \$2,000 PIA. She can also wait to take her retirement benefit until age 70, earning her delayed retirement credits each year she defers.

With the second scenario, Deborah can transfer from her widow's benefit of \$1,430 to her maximized benefit at age 70 of \$2,112 per month. This delay will result in an additional \$45,000 in benefits if Debora lives to age 89.

YOUR NEXT STEPS:

1. Identify clients you currently serve who are nearing retirement and have not yet developed a Social Security claiming strategy.
2. Schedule an appointment to evaluate their retirement income needs.
3. Discuss various Social Security claiming strategies and how these options could impact both spouses over their lifetimes.
4. If you would like to explore various claiming strategies or want to build a "Social Security bridge" to close the income gap while your clients defer benefits, reach out to your Palladium Group team for assistance.

CONVERSATION STARTERS:

1. Have you thought about when you plan to claim your Social Security benefits?
2. Do you know how your claiming strategy might impact your spouse if they outlive you?
3. Have you considered how you will bridge the income gap if you delay your Social Security benefits?
4. Will Social Security alone provide enough guaranteed income to meet your living expenses in retirement?



¹<https://www.ssa.gov/OACT/population/longevity.html>