

Social Security for Married Couples

Married couples should carefully consider their choices before claiming Social Security benefits, because this decision can have long lasting effects on their financial security. Couples should keep in mind that waiting until full retirement age or even longer will significantly boost the monthly income they receive from Social Security.

Spousal Benefit: How It Works

As a spouse, you may be able to claim Social Security benefits based on your own work record, or you can collect a “spousal benefit” that may provide you up to 50 percent of the amount of your spouse’s Social Security benefit. If you are eligible for both your own retirement benefits and spousal benefits, you will receive whichever is higher. If you never worked you may be able to collect Social Security benefits based on your spouse’s work record. Here are some things to keep in mind about spousal benefits:

- ❑ You must be at least 62 years of age to qualify for Social Security benefits. There are a few exceptions that are explained on the Social Security website, www.ssa.gov.
- ❑ Your spouse must file for benefits. Unless you are divorced, you can’t collect spousal benefits until your spouse has filed for his or her Social Security benefits.
- ❑ The maximum benefit is 50 percent. You will receive the maximum spousal benefit, 50 percent of your spouse’s benefits, if you wait until you reach your full retirement age.

- ❑ There are more options at full retirement age. When you reach full retirement age and are ready to claim benefits, you can choose to receive spousal benefits and delay taking your own Social Security benefits. This will allow you to receive a higher benefit later based on the effect of delayed retirement credits. If you claim before reaching full retirement age, you don’t have that choice. You will automatically receive the higher benefit. Therefore, if the benefit based on your work record is higher than your spouse’s, you will receive your own retirement worker benefits and not spousal benefits.

If you were born after 1943 your full retirement age will be between 66 and 67, after 1960 it will be 67. Visit www.ssa.gov to find your exact full retirement age.

Claiming Early Is Costly

Claiming Social Security benefits, either your own or your spouse’s, prior to your full retirement age permanently reduces the benefit you receive. If you decide to receive spousal benefits early, say at age 62 for example, you would receive only 35 percent of your spouse’s benefit instead of receiving the maximum 50 percent.

Example: If your husband John receives \$1,000 in benefits, and you claim at:

Age 66 (your full retirement age) you will receive \$500 per month (50 percent of John’s benefit).

Age 62 (your early retirement age) you will receive \$350 per month (35 percent of John’s benefit).

While circumstances may force you to collect spousal benefits early, think hard about the implications of permanently reducing your monthly benefit before choosing this route. Keep in mind that a benefit amount that seems adequate when you first retire may not be so in a few years, especially if your health needs change and some of your other retirement income sources run out. Plus you'll need money in reserve for medical emergencies, home repairs and other unexpected expenses.

Working and Collecting Benefits

Today it's common for both spouses to work, but no matter who works, you need to understand the effects of collecting Social Security benefits while working. If you work and are full retirement age or older, you can receive your full benefits no matter how much you earn. But if you work and claim before full retirement age, the following rules apply:

- ❑ Social Security withholds \$1 for every \$2 earned above the annual limit, which is \$14,160 in 2011.
- ❑ Social Security withholds \$1 for every \$3 you make above the annual limit, \$37,680 for 2011, in the year in which you reach full retirement age.

To learn more about how work may impact your Social Security benefits, visit www.aarp.org/socialsecuritybenefits and read the AARP tip sheet, "Social Security and Work."

Survivor Benefits for Your Living Spouse

When you pay into Social Security, you earn benefits for yourself and your family. One of those benefits is survivor insurance. When you die, certain members of your family may be eligible for survivor benefits. These include widows, widowers (and divorced widows and widowers), children and dependent parents.

If you decide to claim Social Security benefits before your full retirement age, your monthly benefits will be permanently reduced and it will significantly decrease your spouse's survivor

benefits. By waiting until full retirement age or later, your family will be eligible to receive higher benefits, which may also provide you and your family greater peace of mind.

If you are a widow or widower it's also important to consider the advantage of waiting until your full retirement age to claim survivor benefits. At full retirement age or older, you will receive 100 percent of your deceased spouse's benefit amount. If you decide to claim at the earliest age possible, 60 (50 if you're disabled), the survival benefit will be reduced by up to 28.5 percent.

Spouses should consider that survivor benefits increase by more than 60 percent if they don't claim at 62 and wait until age 70.

Divorced Spouses

If you are divorced, and your marriage lasted 10 years or longer, you can receive benefits based on your ex-spouse's work record (even if he or she has remarried) if:

- ❑ You are unmarried;
- ❑ You are age 62 or older;
- ❑ The benefit you are entitled to receive based on your own work record is less than the benefit you would receive based on your ex-spouse's work record; and
- ❑ Your ex-spouse is entitled to Social Security retirement or disability benefits.

You do not have to wait until your ex-spouse files for his or her benefits for you to claim yours. If you wait until full retirement age, you will be able to collect up to 50 percent of the value of your ex-spouse's benefit, or 100 percent of your own benefit, whichever is greater. If you claim earlier, the amount of your benefits will decrease permanently as mentioned in the "Claiming Early Is Costly" section. To find out more read AARP's tip sheet, "Social Security for Divorced Couples," or visit www.aarp.org/socialsecuritybenefits.

Delaying Until Full Retirement Age or Later

Waiting to reach full retirement age or later to collect Social Security benefits has significant advantages. First, it will increase the benefit amount for which your spouse is eligible. Secondly, it will increase the benefits you can receive based on your own work record. In fact, if you wait until age 70, you can earn delayed retirement credits from your full retirement age until you reach age 70. For example if you were born in 1943 or later, you get an 8 percent increase annually between your full retirement age and the age of 70.

Chart: Monthly Benefit Amount Based on Age You Begin Receiving Benefits

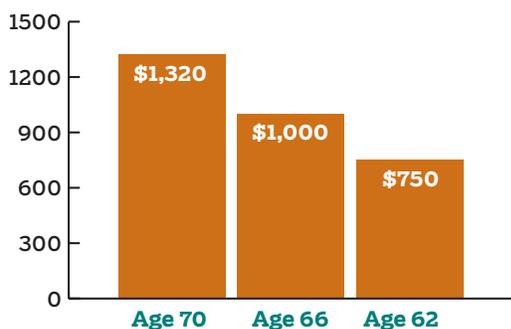


Chart: This example assumes a benefit of \$1,000 at full retirement age of 66.

Waiting until full retirement age can positively impact a married couple's total Social Security benefits. For example, let's say you have never worked in a job where you paid into Social Security or you worked less than the 10 years required to earn a benefit, and as a result you aren't eligible to receive benefits on your own work record. If your spouse has earned a \$1,200 per month benefit, then you are eligible to receive half of his or her benefit, or \$600 a month. You and your spouse would end up getting \$1,800 a month in combined benefits.

Strategies to Maximize Benefits

Before you elect to claim spousal benefits at any age, consider these strategies designed to maximize the benefit you will eventually receive. They require that you wait until full retirement age to start claiming your Social Security benefit.

Claiming Now and Claiming More Later

If both you and your spouse are entitled to Social Security benefits based on your work records, each of you will be able to claim your own benefit or half of your spouse's benefit, depending on which is higher. At full retirement age or later, you get to choose which benefit to receive. Because of that rule, a married individual can claim a spousal benefit and delay receiving her individual benefit until a later date. With this strategy, she can start claiming spousal benefits while at the same time building up delayed retirement credits by letting her individual benefit continue to grow. The goal is to allow your benefit to grow so that it will be greater than half of your spouse's Social Security benefit. This strategy makes more sense for couples with comparable incomes.

David has reached his full retirement age and can either file for his own benefit, which will be \$1,100 a month based on his work record, or his spousal benefit of \$1,000 a month. If David chooses the lower spousal benefit and delays claiming his own benefits until he reaches age 70, his monthly benefit would increase to \$1,452 because of the delayed retirement credit. While he's taking a smaller benefit for a few years, he will end up getting a larger benefit for the remainder of his life.

File and Suspend Strategy

This strategy is best employed when one spouse makes more money than the other. Let's assume the husband is the higher earner in the household. The husband would file for his Social Security benefits once he reaches his full retirement age, and immediately suspend his claim. His wife would then be able to file and receive spousal benefits. At age 70, the husband starts collecting the benefits he had previously

suspended, which are now higher because of the delayed retirement credits. In addition, the wife could receive a larger survivor benefit. This can be a wise strategy for married couples, but of course you need to consider your health and other financial needs that may require you to claim before age 70.

To explore these strategies for your own situation, visit AARP's Social Security Benefits Calculator at www.aarp.org/socialsecuritybenefits.

Your To Do List

- ❑ Create a plan to reach your retirement goals, whether it means learning new skills to stay employed longer, saving more money for retirement or possibly downsizing. AARP's *Ready for Retirement? Tools to Achieve Peace of MindSM* can help you get started: www.aarp.org/readyforretirement.
- ❑ Estimate how much retirement income you and your family will need and how much of that income needs to be guaranteed. Visit www.aarp.org/retirementcalculator.
- ❑ Determine if a claim now and claim more later or a file and suspend strategy will get you the most out of your benefits. Visit www.aarp.org/socialsecuritybenefits.
- ❑ Contact the Social Security Administration at 1-800-772-1213 or www.ssa.gov when you decide to claim or for additional questions.



Financial Security
601 E Street NW
Washington, DC 20049

www.aarp.org