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Social Security

Topic insights

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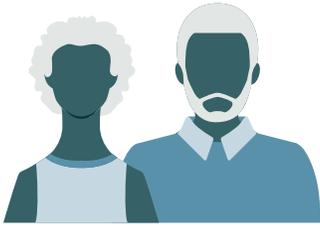
# Social Security planning for two

*Incorporating spousal, divorce and survivor benefits into your plan*



of retirees say they filed at a particular age at least in part based on a spouse or partner's claiming decision.<sup>1</sup>

<sup>1</sup>LIMRA Sources of Retirement Income, 2017.



## Benefits for couples

Members of a couple have the option to file based on their own work record or their spouse's.

- Up to 50% of a spouse's Primary Insurance Amount (PIA)\*
- Eligible at 62
- Married at least one year
- One spouse must have filed for the other to claim spousal benefits

*\*PIA is the monthly benefit someone is entitled to at their Full Retirement Age (FRA).*

**Nearly 2.4 million** Americans claim spousal benefits, creating a larger benefit than they would receive based on their own work record.<sup>2</sup>



## Benefits for divorcees

It's important to know that Social Security provides benefits to ex-spouses too.

- Up to 50% of ex-spouse's PIA
- Eligible at 62
- Married at least 10 years
- Currently unmarried
- If divorce is within the past two years, your ex-spouse must have filed; if divorce is beyond two years, your ex-spouse does not have to have filed
- Divorcees may also claim survivor benefits

The **divorce rate** for couples aged 50+ **doubled** between 1990 and 2010.<sup>3</sup>

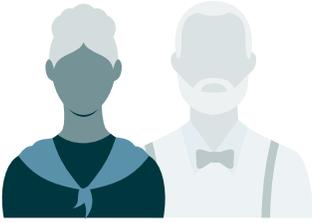
## Key considerations

- Spousal benefits could substantially increase your Social Security income if:
  - Either you or your spouse don't work
  - Either you or your spouse have a limited work history
  - There's a large difference between your career earnings
- If you or your spouse were born on or before January 1, 1954, you may be able to file a restricted application, allowing spousal benefits to be claimed, while your own benefit grows larger to be used sometime later
- Planning for survivor benefits is important because you and your spouse's filing decisions may significantly impact the income available for the surviving spouse

*These key considerations apply to both currently married spouses and divorced ex-spouses.*

<sup>2</sup>Social Security Administration, Social Security Beneficiary Statistics, 2017.

<sup>3</sup>National Center for Family & Marriage Research, Bowling Green University, 2013.



## Benefits for survivors (widows and widowers)

When a spouse or ex-spouse passes away, the surviving spouse can claim the higher monthly benefit for the rest of their life. Whether you're married, divorced or widowed, it's important to understand and consider survivor benefits within your overall filing strategy.

- Up to 100% of spouse's PIA, plus any delayed retirement credits earned
- Eligible at 60\*
- Married at least nine months
- Currently widowed or remarried after age 60
- Survivor benefits can be received independent of individual benefits

*\*There are exceptions where a survivor can receive benefits younger than 60 (these can be found at [ssa.gov](http://ssa.gov)).*

**24%**  
of Americans 65+  
are currently widowed.<sup>3</sup>

### Key considerations

- When the higher earner delays until age 70 to maximize benefits, they are also maximizing the couple's survivor benefit
- If you are widowed and have not yet filed, you may collect your survivor benefit now, then switch to your own benefit later — or collect your own benefit now, then switch to the survivor benefit later — whichever strategy creates the higher benefit
- If you are widowed, and both you and your deceased spouse already filed, the higher benefit becomes the survivor benefit and the lower benefit is stopped

<sup>3</sup>National Center for Family & Marriage Research, Bowling Green University, 2013.



### Let's look at an example

Jim and Linda, a married couple, are comparing three different filing decisions to see how each would impact their retirement.

- Jim was born 11/1/1953 and Linda was born 6/1/1956 (64 and 61 years old, respectively, at the beginning of 2018)
- Jim's PIA is \$2,300 and Linda's PIA is \$1,600
- Assumes a life expectancy of 85 for Jim and 88 for Linda, and an annual cost of living adjustment of 2.5%

Strategy	Spousal benefits in retirement	Survivor benefits in retirement	Increase in total benefits vs. filing as soon as possible
1 Maximize benefits	\$41,613	\$368,439	\$227,333
2 Both file at FRA	\$0	\$279,079	\$65,390
3 Both file as soon as possible	\$0	\$271,386	—

*This example is for illustrative purposes only and individual results will vary.*

## The importance of having a plan

When and how you file for Social Security can significantly impact your retirement income.

### 1 Maximize benefits strategy

- Allows Jim to file a restricted application,\* collecting spousal benefits while he delays and maximizes his own benefit until age 70
- By delaying until 70, Jim also maximizes the survivor benefit, which Linda inherits upon his passing
- This strategy creates the largest overall benefit, the largest benefit on Jim's record, the highest survivor benefit and is the only strategy of the three that creates spousal benefits

### 2 File at FRA strategy

- The strategy where both Jim and Linda file at their FRAs ensures they do not take reduced benefits (less than 100% of their PIAs)
- This strategy earns Linda the highest benefit on her own record - however, this strategy does not create any spousal benefits and results in almost \$90,000 less in survivor benefits compared to the "maximize benefits" strategy

### 3 File as soon as possible strategy

- The strategy where both Jim and Linda file as soon as possible creates the lowest overall benefit; due to filing before their FRAs, they both receive reduced benefits throughout retirement

*\*Restricted filing for spousal benefits is only available to those born on or before January 1, 1954.*

**Social Security rules and decisions are complex. These are just three of the nearly one hundred filing options Jim and Linda could explore. Your unique situation and retirement needs should help inform and guide your filing decision.**



### Clients

Talk to your financial advisor to better understand these benefits and how they should be considered in your Social Security planning.

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### Financial professionals

For more resources, including a tool that calculates spousal, divorce and survivor benefits, contact your wholesaler or the Retirement Institute Income Planning Team at 1-877-245-0763.



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