

SOCIAL SECURITY STRATEGIES

Understanding Spousal Survivor Benefits



MAKING SOCIAL SECURITY WORK FOR YOU

The Social Security eligibility rules are generally the same for everyone—but no one's life, retirement goals, or financial needs are exactly the same. That's why Pacific Life has created the Social Security Strategies series of brochures. Each brochure in the series focuses on a specific strategy to consider as you and your financial professional discuss how Social Security benefits fit into your overall plan for creating lifetime retirement income.

Discuss with your financial professional everything you want out of retirement.

Then, ask how to shape a sustainable retirement income strategy that's right for you.

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PROTECT THE PERSON YOU LOVE MOST

You and your spouse are partners who depend on each other and have built a life together. So when you're no longer there and your Social Security benefit payments stop coming, how will it impact your spouse's lifestyle?

As a survivor benefit, when one spouse dies, the surviving spouse receives the larger of the couple's two Social Security payments. But that still means the loss of one benefit payment.

Let's look at a hypothetical example

A husband and his wife both receive Social Security benefits at age 66,¹ which is full retirement age for both:

- While the husband is alive, they receive a combined monthly benefit of \$3,000 [\$2,000 (husband's monthly benefit) + \$1,000 (wife's monthly benefit)].
- If the husband dies first, his wife receives the higher amount of \$2,000 per month as a survivor benefit.
- One-third of Social Security income is lost at the time of the husband's death.

Strategies for Maintaining Your Income

You don't need to experience a drop in income upon the death of a spouse. Two possible strategies to ensure the needed income is available are:

1. **Savings/Investments**—Build up your savings or investments before you retire, so the needed income can be withdrawn from these assets.
2. **Immediate Annuity**—Purchase an immediate annuity to generate supplemental income during retirement.



Did You Know?

A divorced spouse who was married for more than 10 years and has not remarried can draw against the ex-spouse's work history. Widows and widowers can receive the higher of his or her own or the deceased spouse's monthly payment, but not both.

¹Please note that this example illustrates full retirement age (FRA) of 66, even though a full retirement age (FRA) is currently 66 and 6 months for people born in 1957. This hypothetical example is for illustrative purposes only.

THE SAVINGS/INVESTMENTS APPROACH

Before You Retire, Do Some Planning

- You can use an income-and-expense worksheet to determine how much income you'll need to replace each year if you no longer receive one of the Social Security benefit payments. Let's say you would need to replace \$650 per month:

$$\text{\$650 per month} \times 12 \text{ months} = \text{\$7,800 per year}$$

- Next, think about the possibilities and decide how many years of replacement income you feel you may need. Let's assume you decide on 15 years. Then, by doing some simple math, you determine the total amount you'll need to withdraw from your savings over those years:

$$\text{\$7,800 per year} \times 15 \text{ years} = \text{\$117,000 in total withdrawals}$$

If you decide to take this approach, here are some questions you may want to consider:

- Can you save the entire amount needed?
- If you choose to save through investments, how can you be sure that your investments will perform as expected?
- Even if you are successful at saving or investing, what if you need the extra income longer than 15 years? Will your source of income run out?

The Immediate Annuity Approach

Using an immediate annuity to supplement income is another strategy to consider. An immediate annuity is a financial product that provides you with immediate and steady income payments guaranteed to last your entire lifetime. The possible advantages of an immediate annuity include efficiency and guaranteed income for life.

It May Be More Efficient

It would take only \$103,470 in an immediate annuity with a Life Only payment option to generate \$7,800 in payments per year.¹ Based on the calculation above, that's \$13,530 less than saving or investing may require.

Payments Are Guaranteed for Life

Once the annuity is purchased, the income payments are guaranteed for life. No matter how long your spouse lives, the income will never run out.

¹Amount is based on a single-life immediate annuity for a female age 74 as of January 2019.

SOCIAL SECURITY RESOURCES

The more you know about Social Security benefits, the better able you'll be to make the most of them. For answers to your Social Security questions, talk with your financial professional.

Pacific Life also can help. Take advantage of our retirement planning resources at [PacificLife.com](https://www.pacificlife.com).

Pacific Life Resources

Pacific Life offers financial calculators to help you plan for your Social Security benefits needs. You can access the calculations by visiting [PacificLife.com](https://www.pacificlife.com).

- Social Security Retirement Income Estimator
- Federal Income Tax Estimator
- How Much of My Social Security Benefit May Be Taxed?
- How Does Inflation Impact My Retirement Income Needs?

Helpful Resources

- Social Security Administration (SSA) Phone: (800) 772-1213
- Social Security Website: [ssa.gov](https://www.ssa.gov)
- Online Benefits Application: [ssa.gov/applyonline](https://www.ssa.gov/applyonline)
- Find a Local Office: [ssa.gov/locator](https://www.ssa.gov/locator)
- Government Pension Offset: [ssa.gov/retire2/gpo-calc.htm](https://www.ssa.gov/retire2/gpo-calc.htm)
- AARP Website: [aarp.org](https://www.aarp.org)
- Windfall Elimination Provision: [ssa.gov/planners/retire/anyPiaWepjs04.html](https://www.ssa.gov/planners/retire/anyPiaWepjs04.html)
- Get Your Social Security Statement: [ssa.gov/myaccount/statement.html](https://www.ssa.gov/myaccount/statement.html)



Interested in this or other ideas for ensuring that your retirement income strategy is right for you? Talk to your financial professional. There are many options for creating a plan, and your financial professional can explain how each fits into your specific life situation.

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