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Social Security Spousal Benefits

Social Security provides benefits for persons who have worked and earned credits towards retirement (“worker’s benefit”). Electing “early retirement” at an earlier age than full retirement age will result in a reduced monthly benefit for lifetime. Likewise, a worker can increase the monthly amount of retirement benefit for lifetime by delaying application for Social Security up to age 70. (After age 70, there is no further increase by delaying taking retirement.)

Spouses of workers may also be eligible for Social Security benefits based on the spouse’s earnings record. If an individual applies for spousal benefits when the individual reaches his or her own full retirement age, then the individual is eligible for a benefit equal to 50% of the worker’s benefit. If the individual applies for spousal benefits earlier than his or her own full retirement age, then the individual benefit percentage on the worker’s record is permanently reduced.

It is also possible for both spouses to receive spousal benefits on each other’s record. For example, take a couple in which the wife is the lower-earning spouse, and the husband is two years older; full retirement age for both is 65. The husband’s Social Security benefit will be considerably higher than hers if he delays receiving benefits on his own record until he reaches age 70; likewise, the wife’s spousal benefits on his record will be higher if he delays until age 70. The wife can elect to take Social Security benefits on her own work record at her full retirement age of 65, when her husband is age 67. At the same time, the husband can start taking Social Security benefits based on the wife’s work record. He will receive benefits valued at 50% of the wife’s benefit. He will delay receipt of benefits on his own work record, receiving delayed retirement credits, and will receive a higher benefit when he does start receiving benefits on his own work record. In our example, let’s say the wife’s benefit on her own record is \$800 per month; then the husband would receive \$400 per month in spousal benefits. In most cases, both husband and wife should sign up for Medicare at age 65.

When the husband reaches age 70, he applies for Social Security based on his own work record and receives, for example, \$2,000 per month. Because his own benefits are higher than his spousal benefit, he will receive his own higher benefit, and he will no longer receive the spousal benefit. The wife can then apply for additional benefits based on the husband’s work record. She will receive her own benefit of \$800 per month first, then spousal benefits of \$200 per month to bring her total benefit amount to the spousal benefit limit of \$1,000 per month (50% of the husband’s benefit). If the husband dies first, then the wife’s survivor’s benefit will increase to \$1,200 per month; combined with her own benefit,

she will receive \$2,000 per month (the amount her husband received while he was alive). If the wife dies first, then the husband will continue to receive his own benefit of \$2,000 per month.

What are the advantages of this approach? First, in our example, the husband will receive \$400 per month for the three years until he reaches age 70, or up to \$14,400. Second, by delaying the receipt of his own benefit until age 70, he will receive a larger benefit. Third, this same delay will result in the wife receiving a larger survivor's benefit at the husband's death.

Keep in mind that in our example, if the wife starts taking benefits on her own work record earlier than her full retirement age, then she will not only permanently reduce her own benefit, but she will also reduce the percentage of her husband's benefit that she will receive during his lifetime and if he dies first.

The Elder Law Group can help you or your family member design plans to maximize all your financial and health-care resources. Call us at 601-987-3000 or 866-ELDERLAW.