WHAT WIDOWS AND WIDOWERS APPROACHING RETIREMENT NEED TO KNOW ABOUT CLAIMING SOCIAL SECURITY SURVIVOR BENEFITS

It is commonly known that a widow or widower entering retirement is entitled to claim Social Security benefits based on his or her own work record (the worker benefit) or on the work record of his or her deceased spouse (the survivor benefit). Less well-known is that there are strategies regarding the timing of claiming each of these benefits that may help to maximize the retirement income they provide. Conventional financial planning typically recommends claiming the higher of the two benefits. However, there often is a better way — that is, to integrate the two benefits to provide higher lifetime income.

First, consider that a worker benefit becomes available once an individual has been age 62 for a full month. If an individual begins taking this benefit prior to Full Retirement Age (age 66 for those born before 1955), the monthly benefit amount is permanently reduced from the amount the individual would be entitled to at that age.

With a survivor benefit, an individual can elect to receive benefits as early as age 60 (an individual does not have to be age 60 for a full month). A survivor benefit is 100% of the deceased spouse’s Primary Insurance Amount, which is based on contributions the deceased paid into the Social Security system during his or her lifetime. Like the worker benefit, the survivor benefit amount is permanently reduced if started prior to Full Retirement Age.

If an individual is widowed and has not remarried at age 60, and also has worked for at least 40 quarters during his or her lifetime, he or she will have both a survivor benefit and a worker benefit to consider when building a Social Security retirement income strategy. One strategy is to simply initiate the benefit that provides the greatest monthly value when the individual initially files. See Figure 1.

A second strategy is to claim a worker benefit at age 62 and then switch to the survivor benefit at Full Retirement Age. See Figure 2. For a widow or widower whose own worker benefit, if any, is less than that of a deceased spouse, this strategy allows her or him to take the highest survivor benefit possible. There are no Delayed Retirement Credits\(^1\) for a survivor benefit, so it makes little sense to wait past Full Retirement Age to switch to the survivor benefit.

A third strategy is to claim a survivor benefit at age 60 and then switch to a worker benefit at age 70. See Figure 3. Benefits under this strategy do not have to be claimed at these ages — they could start later than 60 for the survivor benefit and earlier than 70 for the worker benefit. That said, starting the survivor benefit at age 60 allows an individual to leverage Social Security income as early as possible, and delaying the worker benefit until age 70 allows the maximum Delayed Retirement Credits and Cost-Of-Living Adjustments (COLAs)\(^2\) to be applied to this benefit.

\(^1\) Delayed Retirement Credits apply after the Full Retirement Age and increase worker benefits by 8% per year.
\(^2\) Cost-of-Living Adjustments (COLAs) are annual adjustments made to benefits to help preserve the purchasing power of Social Security so that they are not eroded by inflation.
Let’s look at an example, ignoring COLAs for the moment. Assume that Lisa is age 60 and was married to Jim prior to his death. Lisa is entitled to receive a full survivor benefit of $2,400 per month at age 66 (her Full Retirement Age), or a reduced survivor benefit of $1,716 per month at age 60. Lisa has also earned her own worker benefit of $1,500 per month at age 62, or $2,000 per month at age 66.

Using the first strategy, Lisa could choose to take the $1,716 reduced survivor benefit at age 60. See Figure 1. On the surface, it might appear that this is the best option because not only is $1,716 higher than the $1,500 worker benefit Lisa is entitled to at age 62, but she can also start it two years earlier. However, Lisa should consider her other options before making a decision.

With the second strategy, Lisa could draw her $1,500 worker benefit at age 62, and then switch over to the full survivor benefit of $2,400 at age 66. If Lisa has the resources from other retirement accounts to provide herself with income between ages 60 and 62, this method may work very well, since she will ultimately be drawing the higher $2,400 benefit for the rest of her life. See Figure 2.

The third strategy is for Lisa to start her survivor benefit at age 60, and then switch over to her worker benefit at age 70, thereby delaying the worker benefit beyond her Full Retirement Age and maximizing the Delayed Retirement Credits applied to that benefit. She would start the survivor benefit of $1,716 per month at age 60 and then switch to her worker benefit of $2,640 (the $2,000 benefit at Full Retirement Age increased by an annual 8% Delayed Retirement Credit for four years) at age 70. See Figure 3.

This strategy is the same as the first, except that Lisa switches over to a higher benefit at age 70. Why wouldn’t she choose this strategy, as opposed to the first one? The answer is likely that she wouldn’t choose this strategy only because she is unaware that this option is available to her.
This example is not to imply that the third strategy is always best. Any “optimal strategy” depends on the sizes of the widow’s or widower’s own worker benefit and the survivor benefit, as well as the individual’s own health and financial situation.

Another point worth noting is that, depending upon how much an individual earns, a worker or survivor benefit may be subject to a reduction. This determination is made based on a calculation known as the Earnings Test, and is discussed below.

**CONCLUSION**

For a widow or widower, the decision regarding when and how to claim Social Security benefits is likely more complicated than it first appears. Those who are entitled to both their own worker benefit and a survivor benefit should consider the available claiming strategies to maximize the potential lifetime retirement income that Social Security provides.

**THE EARNINGS TEST**

Anyone who starts either a worker benefit or survivor benefit prior to his or her Full Retirement Age (age 66 for those born prior to 1955) will be subject to the Earnings Test. In every year leading up to the year Full Retirement Age is reached, $1 in benefits will be withheld for every $2 earned above the limit for that year ($15,720 in 2016). During the year Full Retirement Age is reached, benefits will be reduced $1 for every $3 earned above a higher limit ($41,880 in 2016), until the month Full Retirement Age is reached. At that point, the Earnings Test no longer applies.

For example, assume Jennifer is widowed and entitled to a survivor benefit of $1,500 per month ($18,000 annually), but has not yet reached Full Retirement Age. If she earns $50,000 in 2016, her $18,000 annual benefit would be reduced to $860 since she has $34,280 of earnings above the $15,720 limit.

For further information on Social Security Survivor Benefits visit: [https://www.ssa.gov/survivors](https://www.ssa.gov/survivors)
IF YOU ARE WIDOWED –
KEY POINTS TO REMEMBER

- You may start a survivor benefit at age 60, and/or a worker benefit at age 62, but may not draw both at the same time.

- One strategy is to draw the larger of the survivor benefit or the worker benefit when the individual files.

- A second strategy is to draw your worker benefit at age 62 and switch to a survivor benefit at Full Retirement Age.

- A third strategy is to draw the survivor benefit early, at age 60, and subsequently switch over to your own worker benefit at a later age, such as age 70.

- Any optimal strategy will depend on the size of the survivor benefit and worker benefit.

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