

Spousal Benefits: An Often Overlooked Key to Maximizing Social Security Benefits for Couples

For married couples in need of a strategy, spousal benefits could play an important role.



If you’ve been working most of your life and have arrived at your sixth decade, congratulations: You’re entitled to collect what could potentially be thousands of dollars in annual Social Security benefits. And if you’re married and at least one of you has earned income, the news gets even better: One spouse will likely qualify for additional Social Security spousal benefits as well, providing couples with a strategy to potentially improve on what they might otherwise receive.

But the ins and outs of spousal benefits are complicated and frequently misunderstood. That’s too bad, because a spousal benefit, if you qualify, can potentially provide up to half of what your higher-earning spouse is entitled to collect.

Your Mileage May Vary

It sounds simple enough, but there’s a lot more to it. The strategy that works best for you ultimately depends on a host of factors, including: age differences, career earnings, level of savings, health status, and the date of your Social Security full-retirement age (also called: your FRA—see **FIGURE 1**).

We’ll take a close look at three hypothetical couples—Joe and Ruth, Ann and Mike, and Norm and Karen—each approaching the claiming decision from different vantage points. But first, let’s review some of the basic Social Security rules that can impact whether some combination of regular benefits and spousal benefits may be right for you to consider.

Key Points

- Spousal benefits, if you qualify, can potentially provide up to half of what a higher-earning spouse is entitled to collect.
- Spousal benefits can be claimed as early as age 62, but you can potentially earn more by waiting until your own full-retirement age.
- The claiming strategy that works best for you depends on factors such as age differences, career earnings, level of savings, health status, and the date of your full-retirement age.

FIGURE 1: Social Security Full-Retirement Age

If you were born in:	Your full-retirement age is:
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: SSA.gov

FIGURE 2: Spousal Benefits for Lower-Earning Spouses Are Reduced if Claimed Before Full Retirement Age (FRA)

Your Spouse's Full Retirement Age Benefit Amount	Your Age	% of Your Spouse's FRA Benefit You Can Receive	Your Benefit Amount
\$2,000	62	32.50%	\$650
\$2,000	63	35.00%	\$700
\$2,000	64	37.50%	\$750
\$2,000	65	41.70%	\$834
\$2,000	66	45.80%	\$916
\$2,000	67	50.00%	\$1,000

For illustrative purposes only. Actual benefits will vary. Source: SSA.gov

Spousal Benefits: What's Important to Know

Here's a short list of rules every potential spousal-benefit applicant should know:

- Even if a marriage partner has earned little or no income in their prime years (e.g., full-time parents/homemakers), they can still claim spousal benefits.
- A spouse can only claim spousal benefits when (or after) the higher-earning spouse claims their own benefits.
- Spousal benefits can be claimed as early as age 62 (see **FIGURE 2**), but you'll earn more by waiting until your own full-retirement age. Claiming spousal benefits at 62 reduces the spousal benefit to only 32.5% of the higher-earning spouse's full benefit amount (instead of 50% at full-retirement age).
- You can't collect a spousal benefit if you're eligible for a retirement benefit of your own that's larger than your potential spousal-benefit entitlement; you can claim your own larger benefit or the spousal benefit, but not both.
- If you claim your regular Social Security benefit before your higher-earning spouse does, you have the option of switching to spousal benefits at a later date when (or after) your spouse decides to file.
- Either spouse can maximize their regular Social Security benefit amount by waiting past their full-retirement age to apply, up to age 70. Benefits generally increase 8% each year filing is delayed.
- Spousal benefits don't increase beyond the maximum 50% of the higher-earning spouse's full-retirement-age benefits, so there's no financial advantage for the lower-earning spouse to delay a spousal-benefit application past one's own full-retirement age.

To learn more details about spousal benefits and to see exactly what you're entitled to collect at full-retirement age, you should set up a mySocialSecurity account at SSA.gov. With all that in mind, let's turn our attention to three hypothetical decision scenarios that a trio of married couples might face as they work together to maximize their joint Social Security benefits:

Scenario 1: Joe and Ruth (Claiming Early vs. Claiming Late and Switching to Spousal Benefits)

Assumptions:

- Joe, an engineering manager, turns 67 this year—his full-retirement age
- Ruth, a schoolteacher most of her life, turns 65 this year and still works part-time as a substitute teacher
- Joe and Ruth have a modest savings nest egg and are in good health

Option A: Claiming Early

Joe wants to claim his retirement benefits sooner rather than later, so at age 67 (his full-retirement age), he chooses to apply for his \$2,500-per-month entitlement.

To bolster her modest \$20,000 annual income as a substitute teacher, Ruth applies separately for her regular Social Security benefits—about \$943 per month—even though, at age 65, she’s still two years away from her full-retirement age.

Outcome: Joe and Ruth are locked in to collecting \$3,443 per month in lifetime Social Security benefits. Could they have improved on this strategy? Possibly, yes.

Joe and Ruth: Deciding Not to Wait Too Long for Benefits (Option A)

Age 67 (FRA)		
Joe	Retires at age 67; collects 100% of his full-retirement-age benefit	Collects less than the maximum benefit by filing relatively early
Ruth	Files for regular benefits two years ahead of her full-retirement age	
Age 65		

Option B: Claiming at Full-Retirement Age and Applying for a Spousal Benefit

Joe and Ruth each decide to maximize their benefits by waiting a few years.

For Ruth, waiting two more years to age 67—her full-retirement age—enables her monthly benefit to climb from \$943 to \$1,100, based on her lifetime earnings history. Joe is now 69 and has one more year to reach 70 and claim his maximum benefit.

For Joe, waiting until his 70th birthday allows him to file for a maximum monthly benefit of \$3,150 (instead of the \$2,500 he collects under Option A).

Finally, now that Joe and Ruth are both collecting their regular benefit, Ruth can consider whether it makes sense to switch from her regular benefit to a spousal benefit. Although Joe now collects \$3,150 per month, Ruth’s spousal benefit would amount to 50% of her spouse’s *full-retirement-age* amount: \$1,250 ($\$2,500 \div 2$). That’s still \$150 a month more than she would collect based on her own regular \$1,100-per-month benefit. Spousal benefits are capped at 50% of the higher-earning spouse’s full-retirement-age amount, even if that spouse can collect a higher amount by waiting until age 70 to file.

Outcome: If Joe and Ruth choose Option B, they’ll collect a lifetime benefit of \$4,400 a month vs. \$3,443 under Option A. That’s an extra \$11,484 per year to help them stretch the money they’ve already saved. What’s more, by waiting until age 70 to claim his benefit, Joe provides a larger survivor benefit for Ruth if he dies first.

Joe and Ruth: Claiming at Full Retirement Age (Option B)

	Age 67 (FRA)	Age 69	Age 70	
Joe	Works to age 70; accumulates credits and accrues maximum benefits		Retires, files for maximum regular benefits	Collects the maximum benefits based on their earnings records
Ruth	Waits to accumulate benefit credits	Files for regular benefits	Switches to spousal benefits when Joe turns 70	
	Age 65	Age 67 (FRA)	Age 68	

Scenario 2: Mike and Ann (Spouse With Little Earned Income)

Assumptions:

- Mike, a sales manager, turns 65 this year—two years before his full-retirement age—and wants to retire early to enjoy his grandchildren
- Ann, a homemaker who raised four children, turns 62 this year, has some health issues, and worries about having limited benefits
- Mike and Ann only have a modest \$60,000 nest egg

Option A: Early But Partial Spousal Benefits

Mike decides to keep working two more years until he reaches 67, his full-retirement age, which enables him to claim 100% of his benefit entitlement: \$2,800 a month.

Despite Ann's health issues, she decided to wait two years (until age 64) when Mike begins to collect his own benefit. By waiting a bit, she can claim spousal benefits based on Mike's earnings history. But since her own full-retirement age is still three years away, she can collect only 37.5% of Mike's benefit every month—or approximately \$1,050.

Outcome: Claiming benefits at age 67 and 64, respectively, Mike and Ann will earn a joint monthly benefit of \$3,850.

Nevertheless, Ann considers herself fortunate to receive even a reduced spousal benefit since (a) her sparse work history would have left her with almost no Social Security benefits of her own, and (b) she needs the money up front to take care of health concerns.

Option B: Taking a Chance on Waiting and Maximizing

Faced with health issues, Mike and Ann made a reasonable and necessary strategic decision with Option A, one that resulted in relatively smaller benefits. But what if their health and family circumstances changed, enabling each of them to wait a few more years? Waiting could open the door to a better maximum-benefit strategy.

Outcome: Mike holds out another five years until age 70 to collect his benefits. Instead of \$2,800 a month, he now receives \$3,527 a month. Ann waits five years until age 67, her full-retirement age, to collect her maximum 50% spousal benefit—\$1,400 a month (half of her spouse's full-retirement-age benefit of \$2,800) instead of the \$1,050 reduced spousal benefit under Option A. That's a combined lifetime monthly income of \$4,927 instead of the \$3,850 they would receive under Option A.

Mike and Ann: Claiming Early Spousal Benefits (Option A)

Age 65	Age 67 (FRA)	
Mike	Files for regular benefits at age 67	Each collects less than the maximum benefits based on their earnings records
Ann	Files for early spousal benefits based on Mike's entitlement; receives less than 50% of Mike's benefit	
Age 62	Age 64	Age 67 (FRA)

Mike and Ann: Combining Maximum Primary and Spousal Benefits (Option B)

Age 65	Age 67 (FRA)	Age 70
Mike	Decides to work to age 70; accumulates credits and maximum benefits	Each collects the maximum benefits based on Mike's earnings and Ann's full spousal entitlement
Ann	Files for maximum (50%) spousal benefits	
Age 62		Age 67 (FRA)

Scenario 3: Norm and Karen (FRA and Switching to Spousal Benefits)

Assumptions:

- Norm, a customer-service rep most of his working years, turns 67
- Karen, a writer and editor who's been the higher earner of the two, turns 65

Strategy: Claiming Together and a Later Switch to Spousal Benefits

Norm has hit his full-retirement age and is entitled to 100% of his own individual benefit—\$1,200 a month.

Karen, who has earned a higher salary than Norm through the years, decides to postpone her claim so she can earn delayed retirement credits. Two years later, when she turns 67 (her full-retirement age), she applies for her own individual benefit amount—\$2,800 a month. Together, they collect \$4,000 a month.

But now that Karen has claimed her individual benefit, Norm (now 69) considers the possible advantages of switching from his own individual benefit to a spousal benefit (50% of Karen's full-retirement-age benefit). It's an easy call: Norm's spousal benefit is \$1,400 vs. the \$1,200 he had been previously collecting.

Outcome: Karen and Norm are now jointly earning \$4,200 a month.

Talk to your financial professional to help you create a Social Security claiming strategy that works for you and your loved ones.

For illustrative and educational purposes only. The hypothetical situations described above are dramatized scenarios for pre-retirees and Social Security beneficiaries to consider, if they choose, during their own decision-making process and should not be construed as advice. The circumstances and strategies described herein may not reflect an actual client's experience. The couples described in the above scenarios are fictitious and any resemblance between them and actual couples is coincidental.

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