

Social Security/Medicare

Understand Your Spousal and Restricted Social Security Benefits

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By Jim Werner

Earlier this year, *Retirement Daily* published *A New Twist on How and When to Collect Social Security*. While the article focused primarily on individual benefits, it is also important to be aware of other Social Security benefits such as spousal, divorcee, and family benefits.

Having access to these options may increase your family's lifetime benefits received from Social Security.

There are a few important rules and guidelines that must be known before implementing any Social Security strategy.

- Know your Full Retirement Age (FRA) by looking at your individual Social Security statement or visit the site [here](#).
- If you collect any Social Security benefit before your FRA, a 50% penalty will apply to earned income in excess of the earnings limit. In 2018, the earnings limit is \$17,040 if you collect before the year of your FRA. In the year of your FRA, the limit is \$43,360. There is no penalty for collecting after FRA.
- If you collect Social Security before your FRA, the payment will be permanently reduced. Since Social Security is a lifetime payment, the earlier you collect, the more payments you will receive but each payment will be reduced from what you would have received at your Full Retirement Age. If you delay your benefit to age 70, you will be receiving fewer payments during your lifetime, but each payment will be higher than what you would have been paid at your FRA.
- For married couples, a spouse has an option of collecting an individual benefit or a spousal benefit. In its simplest form, a spousal benefit is one-half of the other spouse's benefit at Full Retirement Age. A spousal benefit will be further reduced if received before FRA. It's best to visit [SSA.gov](#) to get an actual estimate of your benefits.
- A divorcee may be entitled to receive a spousal benefit if he or she has been divorced for two or more years, married for at least ten years to the former spouse, and is currently unmarried. When considering spousal or divorced spouse benefits, the other spouse must be collecting to become eligible for spousal benefit.
- The restricted benefit is available for spouses aged 66 or older (or divorcees entitled to receive a spousal benefit) born on or before January 1, 1954. A restricted benefit refers to a scenario where a spouse restricts the higher individual benefit to intentionally select the lower spousal benefit. People born on or after January 2, 1954 are not eligible to restrict their benefits -- they must select the higher of two benefits.

Spousal Benefit -- Same Age, Different Benefits

Bob and Linda both turn 66 in 2018. Bob's individual benefit is \$2,000 per month and Linda's individual benefit is \$800 per month. In this case, it would make sense for Linda to collect a spousal benefit of \$1,000 which is half of Bob's benefit. When Linda selects the spousal benefit there is no effect on Bob's benefit.

Since Linda is collecting a spousal benefit (as opposed to an individual benefit), her individual benefit continues to earn delayed retirement credits. Between ages 66 and 70, Linda's benefit increases from \$800 to \$1,056. At age 70, Linda can switch from the spousal benefit of \$1,000 per month to her individual benefit of \$1,056 per month.

	Bob's Monthly Benefit	Linda's Monthly Benefit	Best Option for a Life Expectancy of:
Bob collects individual at 66, Linda collects spousal	\$2,000	\$1,000 @ 66 \$1,056 @ 70	Ages 66 to 88
Bob and Linda defer to 70	\$2,640	\$1,056	Ages 88+

Restricted Spousal Benefit - Same Age, Same benefits

Let's say Bob and Linda had similar earnings during their career and their individual benefits are \$2,000 each. If one of them collects, the other would be entitled to a spousal benefit of \$1,000. But why would Bob or Linda intentionally restrict a \$2,000 individual benefit to collect a \$1,000 spousal benefit?

By restricting his individual benefit at age 66 and intentionally selecting the lower paying spousal benefit, it allows Bob's individual benefit to earn delayed retirement credits. At age 70, Bob can turn-off the spousal benefit and step-up to his maximum benefit of \$2,640 per month.

	Bob's Monthly Benefit	Linda's Monthly Benefit	Best Option for a Life Expectancy of:
Bob and Linda collect individual benefits @ 66	\$2,000	\$2,000	Ages 66 to 76
Linda collects individual @ 66, Bob restricts his benefit to 70	\$1,000 @ 66 \$2,640 @ 70	\$2,000	Ages 76 to 89
Bob and Linda collect individual benefits @ 70	\$2,640	\$2,640	Ages 89+

Restricted Spousal Benefit -- Breadwinner is Younger

Gina is 62 and was offered an early retirement package from her employer in 2018. Gina's individual Social Security benefit is \$1,800. Her husband, Keith, is 65 and will retire this year with an individual Social Security benefit of \$1,200.

In this case, both Gina and Keith would not be able to file for restricted benefits. Keith is not yet 66 and Gina was born after the January 1, 1954, cut-off date.

If Keith is interested in the restricting his individual benefit and collecting a spousal benefit, he would have to wait until age 66.

	Gina's Monthly Benefit	Keith's Monthly Benefit	Best Option for a Life Expectancy of:
Gina collects at 62, Keith collects at 65	\$1,800	\$1,200	Up to 73
Gina collects at 62, Keith restricts and collects spousal at 66	\$1,800	\$900 @ 66 \$1,700 @ 70	Ages 73 to 84
Gina and Keith both collect at their FRA	\$2,400	\$1,285	Ages 84 to 88
Gina and Keith both defer until they are 70	\$3,150	\$1,700	Ages 88 +

Spousal Benefit -- Breadwinner is Older

Gary turns 66 in 2018 and is considering collecting his Social Security of \$2,600 per month. His wife, Suzanne, is 62 and works part time. Suzanne's individual Social Security benefit is \$500 per month at age 62.

If Gary turns on his individual benefit, it qualifies Suzanne to receive a spousal benefit. While Suzanne's spousal benefit at FRA would be half of Gary's individual benefit, keep in mind Suzanne's benefit would be further reduced since she is collecting before FRA. By collecting at age 62, Suzanne's spousal benefit is 35% of Gary's benefits, or \$910 per month.

Since Suzanne is younger than her full retirement age (FRA is 66 years + 4 months), she must be aware of the earnings limit if she continues to work. In this case, even though Gary is eligible to restrict his benefit for a spousal benefit, the spread is too wide and it is not in his best interest.

	Gary's Monthly Benefit	Suzanne's Monthly Benefit	Best Option for a Life Expectancy of:
Gary collects at 66, Suzanne collects a spousal benefit at 62	\$2,600	\$910	Up to Age 82
Gary defers to 70, Suzanne defers to FRA (see note)	\$3,400	\$1,300	Age 82 +

It's important to understand how and when to collect Social Security. For those that have access to the restricted benefit, it is a worthwhile option to consider as it may offer a greater benefit during one's lifetime. Note: When Suzanne turns 66 years + 4 months, she qualifies for her maximum spousal benefit of \$1,300, which is half of Gary's at his FRA. Since this spousal benefit is greater than her individual benefit, she should collect the spousal benefit at FRA. There is no additional benefit in this case if the spousal benefit is delayed past FRA.

About the author: Jim Werner, CFP, is a vice president with Halliday Financial. Halliday Financial is full service, comprehensive financial planning and investment advisory firm in Glen Head, NY. Jim and his team specialize in helping union members, educators, and administrators make smart decisions with their finances. Securities-related transactions are managed by Halliday Financial's subsidiary, Halliday Financial, LLC, member FINRA and SIPC. The company only transacts business in states where it is properly registered, or excluded or exempted from registration requirements. Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended and/or purchased by adviser), or product made reference to directly or indirectly in this article, or indirectly via link to any unaffiliated third-party Website, will be profitable or equal to corresponding indicated performance levels. Different types of investment involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. No client or prospective client should assume that any information presented and/or made available in this article serves as the receipt of, or a substitute for, personalized individual advice from the adviser or any other investment professional. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results.

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