

Social Security: understanding spousal benefits

Troy Garramone

Age 60

A radiologist. Married to Glenna (an attorney), with two children.

John Garramone

Age 60

An orthopedic surgeon and Troy's twin brother. Married to Emily, who started out as a caterer but never returned to work after a serious car accident. They have one child.

Case Study

“My wife stopped working decades ago. It was the right decision, but now I worry that she won’t qualify for Social Security benefits.”

Troy and John Garramone are twins who attended the same medical school. Troy became a radiologist and John an orthopedic surgeon. They both married in the same year to women their age. Troy and his wife, Glenna, an environmental attorney, have two children.

John and his wife, Emily, had one child before Emily was seriously injured in a car accident. While she was not disabled, lingering back pain forced her to quit working as a caterer. Instead, she stayed home with their son and began creating cooking videos for people who have difficulty standing in the kitchen.

After their 60th birthday dinner, Troy and John sat on the patio, looking out at the ocean and discussing retirement. Troy and Glenna had just created “my Social Security” accounts on the Social Security website. John wondered whether Emily would be eligible for a benefit at all. She had only worked a few years before the accident.

Troy’s neighbor, Jim Flett, joined them on the patio to wish them a happy birthday. He was a longtime friend and financial professional to both of them. Joining the conversation, he was helpful in explaining how Emily’s Social Security benefit might be impacted after being out of the workforce so long.



Social Security

IQ

A Social Security strategy

Jim tells Troy and John that he will discuss Social Security and their individual filing options in detail the next time they meet. He notes that both men should qualify for a sizable benefit, but the exact amount will be determined when they file. Then he goes on to briefly explain the basics of spousal benefits.

Spouse has a similar benefit

Jim explains to Troy that he and Glenna will likely have similar benefits, so they can each claim based on their own earnings history. They will get their full benefit amount if they file at full retirement age (FRA). Early filing permanently reduces the benefit amount, but if either or both of them want to wait, they can increase their benefit amount by 8 percent per year between FRA and age 70.

Spouse has a lower benefit

Jim tells John that he assumes Emily will have a significantly lower benefit than John does. Jim uses hypothetical round numbers to help explain the concept – John’s full benefit amount at FRA is \$3,000 per month, for example, and Emily’s is only \$800. Emily can claim the higher of her own benefit or the spousal benefit, which is up to 50 percent of John’s full benefit amount (\$1,500). To receive the full \$1,500, she must have reached FRA and John must have filed already. Claiming either her own benefit or a spousal benefit before FRA will result in a reduced benefit amount.

Spouse does not qualify for benefits

If it turns out that Emily did not earn the required credits to qualify for her own benefit, she can still claim the spousal benefit of up to half of John’s full benefit amount after John has filed.

THE MORAL OF THE STORY

Social Security rules and options can be complicated, and your decision on when to file for benefits can impact both you and your spouse. Coordinate your filing decision with your spouse to maximize benefits in a way that works best for you. A financial professional and/or Social Security expert can help you weigh the factors that impact your filing decision, including income needs, retirement assets, life expectancy and plans for working.

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