SECURING RETIREMENT INCOME FOR LIFE: UNDERSTANDING THE CASE FOR DELAYING SOCIAL SECURITY

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WOMEN NEED MORE RETIREMENT INCOME

• Live longer than men
• More likely to have chronic illness and need long-term institutional care
• More likely to be single and not remarry

Nearly 1 out of 5 women 65+ living alone are poor.
BUT WOMEN HAVE LESS RETIREMENT INCOME

- Stretch savings over longer life
- Economic impact of divorce
- Earn less than men
- More likely to be low wage workers
- Part-time work
- More likely to be caregivers
- More likely to be caregivers
WOMEN ESPECIALLY NEED TO PLAN FOR LIFETIME INCOME

• On average, women 65 today will live to 86 1/2, men to 84.

• Many will live longer: nearly 4 in 10 women and 3 in 10 men will live past 90.

• For couples age 65, the chances that one will live past 90 are 57%.

• The life expectancy of women of color exceeds that of white men.
MAKING THE MOST OF SOCIAL SECURITY IS ESPECIALLY IMPORTANT TO WOMEN

• Social Security provides over 60% of the family income of women 65+ on average.

• Even more important as women get older:
  • At ages 65-69, about 2 in 10 women rely on Social Security for virtually all their income.
  • At age 80 and older, about 4 in 10 women do.

• Increasing Social Security is the best way to increase lifetime income protection.
  • Benefits last for life, don’t fluctuate with the stock market, are adjusted annually for inflation, and include benefits for spouses, surviving spouses, and divorced spouses.
DECIDING WHEN TO CLAIM SOCIAL SECURITY IS A MAJOR FINANCIAL DECISION ...

• Benefits can be claimed at 62—important option for those who need them.

• But waiting, if you can, can dramatically increase your monthly benefit—and the benefit for a surviving spouse, if you are the higher earner in a couple.

• For a worker whose benefit at Full Retirement Age (66) would be $1,000/month:
  • Benefit at 62 would be 25% less--$750/month
  • Benefit increases 8% a year, plus inflation, for every year beyond FRA. At 68, 16% higher than at 66; at 70, 32% higher than at 66--$1,320—and 76% higher than at 62.
BUT TOO OFTEN IT GETS SHORT SHRIFT

• Here’s what the SSA website says about applying for benefits:
  “Social Security offers an online retirement application that you can complete in as little as 15 minutes. It’s so easy.”

• Paid financial advisors often give poor advice about claiming Social Security, especially when it comes to spouse and survivor benefits.

WHAT RETIREMENT BENEFITS ARE AVAILABLE TO SPOUSES, SURVIVING SPOUSES, AND DIVORCED SPOUSES?

• As a spouse, you can get up to 50% of your spouse’s benefit or your own worker benefit, whichever is higher.

• As a surviving spouse, you can get up to 100% of your deceased spouse’s benefit or your own worker benefit, whichever is higher.

• If you’re divorced, and your marriage lasted for 10 years, you are eligible for the same benefits as a current spouse or widow.
ARE SAME-SEX COUPLES ELIGIBLE FOR SPOUSAL BENEFITS?

- The Supreme Court ruled that the “Defense of Marriage Act” was unconstitutional.
  - Same-sex couples are eligible for spousal benefits if:
    - married in a state that recognizes same-sex marriage and
    - live in a state that recognizes their marriage when they apply

- What about
  - Legally married same sex-couples who live in a state that does not recognize same sex-marriage when they apply?
  - Couples joined in a civil union or domestic partnership?
    - Eligibility under review. You can go ahead and file for benefits, and if you are later determined to be eligible, you will get benefits from the date of application.
WHEN CAN YOU CLAIM A BENEFIT AS A SPOUSE?

- As early as 62, if your spouse has claimed benefits (if divorced for 2 years, if your spouse is at least 62)
  - Filing before your FRA reduces your benefit as a spouse.
  - If you are also eligible for a worker benefit and file before your FRA, you will be deemed to have filed for both benefits. You’ll get the higher benefit, but your worker benefit will also be reduced for filing early.
- If you wait until your FRA—and only if you wait—you can claim just your benefit as a spouse and let your worker benefit grow. (You can’t increase your spouse benefit by waiting beyond your FRA.)
- Option: At your spouse’s FRA, your spouse can file and suspend benefits (not collect them). You can receive benefits as a spouse while your spouse earns delayed retirement credits, increasing your potential survivor benefit.
WHEN CAN YOU CLAIM A RETIREMENT BENEFIT AS A SURVIVING SPOUSE?

• As early as 60 (50 if disabled)—but claiming before your FRA can reduce it.

• Unlike your worker benefit (but like your spouse benefit), you can’t increase your benefit as a surviving spouse by waiting past your FRA to claim it.
BENEFITS FOR A SURVIVING SPOUSE DEPEND ON WHEN THE HIGHER-EARNING SPOUSE TAKES BENEFITS

• If the higher earner takes benefits before FRA, the survivor’s benefit also will be reduced.

• If the higher earner waits until after FRA, the survivor’s benefit also will be increased.

• A higher-earning spouse can provide more lifetime income protection for a surviving spouse by waiting to claim benefits!
WHAT IF YOU’RE ELIGIBLE FOR A BENEFIT AS A SURVIVING SPOUSE AND A WORKER?

• You can’t get both benefits, but you can choose which to claim first, even before your FRA.
• Your choice can increase your income later in life.
  • If your full survivor benefit at your FRA would be larger than your worker benefit at age 70 would be, you could take your worker benefit early and wait until your FRA to claim your survivor benefit.
  • If your worker benefit at age 70 is larger than your survivor benefit at your FRA, you could take your survivor benefit first and let your worker benefit earn delayed retirement credits.
CONCLUSION

- Maximizing Social Security benefits is especially important to women because women generally:
  - depend more on Social Security,
  - live longer than men, and
  - are at greater risk of poverty as they age.

- More public education is urgently needed about:
  - the impact of delaying benefits generally,
  - how spouse and survivor benefits work, and
  - the need for couples to jointly plan when and how to claim Social Security benefits.