

**Strengthening Social Security Benefits for Widow(er)s:
The 75% Combined Worker Benefit Alternative**

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Executive Summary

This paper presents a proposal to improve Social Security benefits for an economically vulnerable group: widows, the largest group of poor women. Widows are over 55% of poor elderly women today. And, widows are projected to remain the largest group of poor elderly women by marital status for decades to come, notwithstanding changes in marriage patterns that will increase the proportion of poor elderly women who are never-married or divorced (Smith 2003). However, this proposal should be considered as part of a broader package of reforms, because the improvement in the widow(er)'s benefit will not assist economically vulnerable women who never married or whose marriages did not last ten years—disproportionately African American women (Harrington et al. 2006).

Widows are economically vulnerable for several reasons, including the decline in household Social Security benefits at widowhood (Karamcheva and Munnell 2007). The Social Security benefit a widow receives, in general, is 33% to 50% less than the couple's combined benefits (FitzPatrick and Entmacher 2000). The decline in Social Security benefits at widowhood is greater as the spouse's earnings become more equal. The increasing share of household income contributed by wives in recent decades means that more widows in the future will experience a drop in Social Security benefits at widowhood that approaches 50%. While the cost of maintaining a household declines when there is only one person to support, a single elderly person needs 79% of the income of a two-person household to maintain the same standard of living, according to the measure used by the Census Bureau. Pension income also often declines at widowhood, adding to widows' poverty (Holden and Zick 2000). Moreover, pension income is becoming increasingly insecure for both workers and their spouses as defined benefit pensions are replaced by defined contribution plans that generally do not provide lifetime income for workers or a survivor annuity for a spouse (Reno et al. 2005).

This proposal would allow a surviving spouse to receive the higher of the current law widow(er)'s benefit or a new alternative benefit. The new alternative benefit would be calculated as 75% of the sum of the deceased spouse's worker benefit, computed as if he or she had claimed benefits at full retirement age, and the benefit which the surviving spouse had earned as a

worker, reduced for the number of months the surviving spouse claimed worker benefits prior to full retirement age. Benefits for surviving divorced spouses with a qualifying marriage would be calculated in the same way. To limit the cost and target the benefits of the proposal to those with lower earnings, the alternative benefit would be capped at the level of the benefit of a worker who had earned the average wage over a career.

The proposal is based on a concept – calculating the widow(er)'s benefit as a fraction of the couple's combined benefits – that has been part of Social Security reform discussions for more than a decade. However, there are two distinctive features of this proposal.

First, the 75% calculation is based on the combined *worker* benefits of each spouse, not including any amount received as a spouse's benefit by the lower-earning spouse. Using only the worker benefits in the alternative calculation increases the effectiveness of this proposal in reducing the disparity in widow(er)'s benefits between single- and dual-earner couples with equal combined earnings and contributions to Social Security, improving benefit equity as well as the adequacy of benefits for eligible widow(er)s. (Individuals who rely entirely or heavily on the spouse's benefit who do not receive an increase under the proposal would continue to receive their current-law benefit.)

Second, the value of the benefit of the deceased spouse used in the 75% calculation would be not reduced because the deceased spouse claimed benefits before full retirement age. This avoids the reduction in the widow(er)'s benefit that occurs under current law because of the deceased spouse's retirement decision. It is more consistent with the way the reduction in the current law spouse's benefit for early claiming is determined. And, it increases the effectiveness of the proposal in improving the adequacy of benefits for lower earners and their surviving spouses, because lower earners are more likely to claim benefits early.

The proposal would not be difficult to implement, because Social Security already collects all the information needed to calculate benefits under the proposal, and beneficiaries would automatically receive the higher of the two benefits. The cost (and benefits) of the proposal could be adjusted in a number of ways, including by setting the cap at a different level.

The potential beneficiaries of the proposal are surviving spouses in dual-earner, low- to moderate-income couples. A majority of women in the future, although a small percentage than today, will have marital histories that will qualify them for a widow's benefit (Tamborini and Whitman 2007). Because of the increased labor force participation among married women, most

women in the future will have high enough Social Security benefits on their own work records to potentially qualify for an increase under this proposal (Favreault and Sammartino 2002). The surviving spouse in couples whose earnings are more nearly equal would receive the greatest increase in benefits under this proposal. Some data suggest that this feature of the proposal could particularly benefit couples with lower incomes, and Black and Hispanic couples (Hayghe 1993; Winkler 1998; Census 2008). The large majority of beneficiaries of this proposal are likely to be women (compare GAO 2007), although the tiny proportion of men who currently qualify for a widower's benefit if they outlive their wives is also likely to increase.

The many positive features of Social Security and the heavy reliance of lower-income retirees, including widows, on Social Security income make strengthening Social Security benefits a highly effective strategy for improving the economic security of vulnerable people. Improving the adequacy and equity of the widow(er)'s benefit is one important component of a package of reforms to increase retirement security in an environment of increased economic risk.

Introduction

This proposal is designed to improve Social Security benefits for an economically vulnerable group: widows, the largest group of poor elderly women by marital status, now and for the foreseeable future. The proposal would allow surviving spouses to receive the higher of the current law widow(er)'s benefit or a new alternative benefit. The new alternative benefit would be calculated as 75% of the sum of the deceased spouse's Social Security worker benefit, computed as if he or she had claimed benefits at full retirement age, and the surviving spouse's Social Security worker benefit, reduced for the number of months the surviving spouse claimed worker benefits prior to full retirement age. Benefits for surviving divorced spouses with a qualifying marriage would be calculated in the same way. To target increases to those with lower earnings, the alternative benefit would be capped at the level of the benefit of a worker who had earned the average wage over a career.

In addition to improving the adequacy of the survivor benefit, the proposal would reduce the disparity that currently exists between the benefit available to the survivor of a one-earner couple and a dual-earner couple with similar combined lifetime earnings and contributions to Social Security, and reduce the drop in Social Security benefits that occurs at widowhood. However, this proposal should be considered as part of a broader package of reforms, because the improvement in the widow(er)'s benefit will not assist economically vulnerable women who never married or whose marriages did not last ten years—disproportionately African American women (Harrington et al. 2006).

1. The problem and target population

a. Poverty among elderly widows

Social Security is the largest source of retirement income for most Americans, but it is especially important to older women and to widows in particular. Social Security provides 58% of the income of widows 65 and over, compared to 39% for all individuals and couples 65 and over (Social Security Administration 2006). Women also rely on Social Security's spouse and survivor benefits far more than men. Although the number of women receiving benefits entirely on their own work records has increased in the past decade, more than half of all women age 62 and older receiving Social Security receive benefits, at least in part, as a spouse or surviving spouse, compared to about two percent of men (Tamborini and Whitman 2007). Yet, even with

Social Security, the poverty rate for women 65 and older was 12% in 2007, over 80% higher than the poverty rate for men 65 and older (6.6%) (U.S. Census Bureau 2008).

Widows currently are a majority, 55.2%, of poor women ages 65 and older (U.S. Census Bureau 2008). The poverty rate for widows 65 and older, 15.8%, is over three times the poverty rate for currently married elderly women (4.7%), although it is lower than that for divorced or separated women (21.9%) and never-married women (21%) (U.S. Census Bureau 2008).

In the future, although changes in marriage patterns will increase the proportion of poor elderly women who are never-married or divorced, widows are projected to remain the largest group of elderly poor women by marital status through at least 2040 (Smith 2002, 2003).¹

The poverty rate among elderly widows will continue to be higher than for married women, and lower than for divorced and never-married women (Smith 2003), although using different measures of poverty produces different perspectives on the relative economic security of these groups of single elderly women in the future. Projecting poverty rates into the future can be somewhat misleading, because the official poverty measure is indexed to prices rather than wages. Since wages tend to rise more than prices over time, poverty rates using a price-indexed measure can decline even when the lowest-income people are losing ground relative to the rest of the population. Projections using the official, inflation-adjusted poverty measure found that in 2040, 0% of elderly married women, 4% of widows, 6% of divorced women and 11% of never-married women will be poor (Smith 2003). Using an alternative poverty measure indexed to wage increases rather than price increases produces a different pattern. In 2040, using a wage-indexed poverty measure, poverty among elderly married women remains low, at 2%; in contrast, 22% of widows, 23% of divorced women and 26% of never-married women are projected to be poor (Smith 2003). Both analyses provide important information for developing public policy. The price-indexed poverty measure shows that never-married women will have especially high levels of absolute need; the wage-indexed poverty measure shows similarly high rates of economic insecurity among widowed, divorced, and never-married women.

b. The causes of poverty among widows

In addition to the factors affecting women's economic security generally, such as lower wages, time out of the labor force for caregiving, fewer assets and longer life spans (see Government Accountability Office 2007, Finkle et al. 2007), there are particular reasons for widows' economic vulnerability (see Karamcheva and Munnell 2007).

Income generally declines sharply at widowhood. If the couple was receiving Social Security benefits, those benefits – which provide most of the income for low- and moderate-income households (Reno and Lavery 2007) -- drop substantially. The decline in the widow(er)'s benefit as a share of the couple's combined benefit is between 33% and 50%, assuming both spouses claim benefits at full retirement age (FitzPatrick and Entmacher 2000).² While the cost of maintaining a household declines when there is one less person to support, it does not fall by half or even one third. Using the Census Bureau's poverty thresholds as a guide, a one-person elderly household needs 79% of the income of a two-person household to maintain the same standard of living.

Other sources of income often decline at widowhood. If the deceased spouse was working, those earnings are lost. If the deceased spouse was receiving a pension, the income to the survivor may disappear entirely or be cut in half (the 1984 Retirement Equity Act establishes a 50% survivor annuity as the default choice for married workers, unless the spouse waives this right in exchange for a higher payment to the pension holder while both are alive), adding to widows' poverty (Holden and Zick 2000). Lower-income couples are less likely than higher-income couples to take a reduced annuity to provide a survivor benefit for a spouse (Smith et al. 2007).

Women's increased participation in the labor force will give more women in the future access to retirement benefits on their own work histories, but gender disparities persist and new sources of retirement insecurity will affect women as workers and surviving spouses. Although the gender gap in pension coverage is narrowing, for the cohorts born in 1990-99 and 2010-2018 it is estimated that 51% of women, compared to 62% of men, will have pension coverage at age 62 (Smith et al. 2007). In addition, the replacement of traditional defined benefit pension plans with defined contribution retirement plans such as 401(k)s makes retirement income for future retirees less secure for several reasons. Lower-income workers are less likely to participate in a voluntary defined contribution plan and are more likely to cash out benefits at job termination (Smith et al. 2007). Workers who do participate are responsible for managing their own investments – and the risk of a market downturn is on them. Defined contribution plans rarely offer workers an annuity option that provides guaranteed lifetime income. And, the legal protections for surviving spouses established by the Retirement Equity Act of 1984 described

above do not apply to defined-contribution retirement plans, or the Individual Retirement Accounts into which many defined contribution accounts are rolled (Reno et al. 2005).

Widow(er)s also are at economic risk because assets may be depleted by the medical and other expenses incurred prior to the death of the spouse (Holden and Zick 2000, McGarry and Schoeni 2005). The time demands and stress of caregiving also may affect the surviving spouse's employment and health.

Finally, married women most likely to be widowed within an age cohort tend to have lower incomes before widowhood than intact couples, reflecting poorer health and less education (Karamcheva and Munnell 2007).

2. The current law widow(er)'s benefit

a. The basic spouse and widow(er) benefit

Social Security provides income security for a spouse at retirement when a worker's income is lost due to retirement or death. The wife or husband of a retired worker is eligible to receive a benefit as a spouse of up to 50% of the higher-earning spouse's benefit, to the extent that it exceeds her or his own worker benefit. A widow(er) is entitled to receive up to 100% of the deceased spouse's benefit, to the extent that it exceeds her or his own worker benefit. Divorced spouses whose marriage lasted at least ten years are eligible to receive spouse and survivor benefits computed in the same way as for current spouses. An individual who is entitled to her or his own benefit as a retired worker and a higher benefit as a spouse or widow is referred to as "dually entitled."

Under the current benefit formula, Social Security benefits at widowhood will be one-third to one-half less than the combined benefits to the couple, assuming both benefits are claimed at full retirement age. The extent of the decline depends upon the relative size of the spouses' benefits. For single-earner couples and couples for whom the benefit received by the lower-earning spouse was no more than 50% of the higher-earner's benefit, the widow(er)'s benefit will be one-third less than the couple's combined benefits. For a couple with equal benefits, the widow(er)'s benefit will be one half of the couple's combined benefits. For example (assuming all benefits in these examples were claimed at full retirement age): Mr. A received a worker benefit of \$1,000 per month. Mrs. A received a benefit as a dually entitled spouse equal to 50% of his, \$500 per month (comprised of her own worker benefit of \$300 plus a spouse's benefit top-up of \$200), giving the couple \$1,500 in combined benefits. At widowhood, Mrs. A

is entitled to a benefit as a dually entitled widow equal to 100% of her husband's benefit, \$1,000 (comprised of her own worker benefit of \$300 plus a widow's benefit top-up of \$700), which represents two-thirds of the couple's \$1,500 combined benefits. If Mr. A was the surviving spouse, he also would receive a benefit of \$1,000, solely as a worker, similarly representing two-thirds of their combined benefits as a couple. Mr. B received a worker benefit of \$900; Mrs. B received a worker benefit of \$600, for combined benefits of \$1,500. Mrs. B does not receive a spouse's benefit, because her \$600 worker benefit exceeds the \$450 benefit she is entitled to as a spouse. At widowhood, Mrs. B receives a benefit of \$900 (comprised of her own \$600 worker benefit and a widow's benefit top-up of \$300), which represents 60% of their combined benefits. (If Mr. B was the survivor, he would continue to receive his \$900 worker benefit, similarly representing 60% of their combined benefits as a couple.) Mr. C and Mrs. C, whose lifetime earnings were equal, each received a worker benefit of \$750, for combined benefits of \$1,500. Neither receives a spouse's benefit. At widowhood, Mrs. C will not receive a widow's benefit, because her husband's benefit does not exceed her own worker benefit. The \$750 benefit she continues to receive solely as a worker represents 50% of the couple's \$1,500 combined benefits.

b. Reductions to worker benefits claimed before full retirement age

The basic Social Security benefit formula for retired workers averages the worker's highest 35 years of earnings, indexed for changes in average wages, to determine the worker's Average Indexed Monthly Earnings (AIME). The AIME is used to determine the worker's basic monthly benefit – the Primary Insurance Amount (PIA) – using a progressive benefit formula.³ Workers who retire at their full retirement age – an age which is gradually increasing by law for later birth cohorts – are entitled to a worker benefit equal to 100% of their PIA.

Workers may claim Social Security retirement benefits starting at age 62, but their benefits are reduced for each month by which the worker's age at claiming falls below full retirement age.⁴ For example, a worker born between 1943 and 1954 has a full retirement age of 66. If he or she claims worker benefits at age 64, the monthly benefit amount is reduced by about 13%. If he or she claims worker benefits at age 62, the monthly benefit amount is reduced by 25%. The reduction persists even after the worker reaches full retirement age. However, the reduction is designed to be actuarially fair; that is, over the lifetime of workers with average life expectancy, the smaller monthly benefit amount is balanced by the fact that the worker receives benefits for additional months.

The increase in the full retirement age is the equivalent of an across-the-board benefit cut: it reduces the amount that workers of a given age receive compared to earlier cohorts. The same percentage reduction is applied at all benefit levels, but the impact is greater on lower-income people who rely on Social Security for a larger share of their total income (Reno and Lavery 2007). Lower-income people also are more likely than higher-income people to claim benefits before full retirement age; and, despite the increasing reduction for claiming benefits before full retirement age, the percentage of lower-income workers claiming benefits early is expected to increase (Smith et al. 2007). Two-thirds of workers in the lowest two income quintiles based on Social Security lifetime earnings – including cohorts born in 1990-1999, 2000-09, and 2010-18 – are projected to take up benefits at ages 60 to 62, compared to less than 40% of those in the highest quintile (Smith et al. 2007).

c. Reductions to spouse and widow(er)'s benefits for claiming before full retirement age

The value of both the basic 50% spouse's benefit and the basic 100% widow(er)'s benefit is affected when benefits are claimed before full retirement age, but how the retirement timing decisions by each spouse affect the value of these auxiliary benefits differs for the spouse's and widow(er)'s benefit.

The basic 50% spouse's benefit can be claimed beginning at age 62, if the other spouse has claimed worker benefits.⁵ The calculation of the 50% spouse's benefit is based on the full PIA of the higher earner. It is not reduced because the higher-earning spouse claimed worker benefits prior to full retirement age; rather, it is reduced because the lower-earning spouse begins receiving the spouse's benefit prior to the lower earner's full retirement age. For example: Mr. D is entitled to a worker benefit of \$1,000 per month at his full retirement age. He decides to begin receiving benefits at age 62, and receives a benefit of \$750. The calculation of the spouse's benefit is based on 50% of his full benefit – \$500, not \$375; it is reduced based on the number of months for which Mrs. D receives spouse's benefits before her full retirement age.

The reductions to the basic 100% widow(er)'s benefit operate differently, and the decision of the higher-earning spouse to claim benefits early plays a major role. Under the current benefit formula, the widow(er)'s benefit may be reduced in one of two ways: first, if the deceased spouse began claiming worker benefits before reaching full retirement age, and second, if the surviving spouse claims the widow(er)'s benefit before reaching full retirement age.⁶ (For ease of discussion, the following assumes that the surviving, lower-earning spouse is female,

although Social Security rules are sex-neutral.) Specifically, the widow(er)'s benefit is the *smaller* of:

- the benefit received by her deceased husband, including any reduction for his claiming benefits prior to full retirement age, subject to a floor of 82.5% of the benefit he would have received at full retirement age; or
- the benefit her husband would have received if he had begun receiving benefits at full retirement age, reduced for the number of months the *widow* claims widow's benefits prior to her own full retirement age.⁷

The first part of the current formula reduces a widow's benefit based on her deceased husband's decision to claim benefits prior to his full retirement age. This reduction is referred to as the "widow(er)'s limit." It reflects the view of the 1972 Congress, which raised the basic widow's benefit from 82.5% to 100% of the husband's PIA, that the widow should receive a benefit comparable to what the worker spouse would have received (Weaver 2001). The 82.5% floor on this reduction established by the 1972 amendments may have been intended to avoid causing a loss for some widows under a statutory change that was intended to improve widows' benefits.

The widow(er)'s limit portion of the widow(er)'s benefit formula operates in the following way. (All examples in this section assume that the full retirement age for both spouses is 66.) If the husband claimed worker benefits at age 64, his benefit would be reduced by 13%, to 87% of his PIA. Under the widow(er)'s limit, the widow's benefit also would be reduced to 87% of his PIA. Although the reduction in the *worker's* benefit for claiming benefits early is designed to be actuarially fair, the widow(er)'s limit means that a surviving spouse cannot overcome the impact of the decision by the deceased spouse about when to claim benefits, and so cannot earn an actuarially fair adjustment by waiting to claim widow(er)'s benefits even beyond full retirement age (Weaver 2001).⁸ However, the 82.5% floor on the reduction does mitigate the full impact of the widow(er)'s limit for some surviving spouses. For example: if the husband claimed worker benefits at age 62, his benefit would be reduced to 75% of his PIA. Under this half of the formula, because of the floor, her benefit as a widow would be equal to 82.5% of his PIA. (This also means that, if the husband outlived his wife, the benefit he receives as a worker would be lower than her benefit as a widow.)

The widow(er)'s limit is just part of the widow(er)'s benefit formula. The second part of the formula begins with the deceased spouse's *full* benefit amount and reduces it based on the number of months by which the widow claims widow's benefits after reaching age 60 but before reaching her full retirement age.⁹ For example: for a widow who claims her widow's benefit on her 60th birthday, the reduction under this part of the formula equals 28.5%. She would receive a widow's benefit equal to 71.5% of her husband's PIA, regardless of when he claimed benefits. The 82.5% floor on the widow(er)'s limit reduction does not apply to the reduction in this part of the formula; and, under the two-part formula, she receives the smaller amount. Second example: A widow claims widow's benefits at age 64. Under the second part of widow(er)'s benefit formula, the reduction because she claimed widow's benefits at 64 would be 9.5%, to 90.5% of his PIA. However, her deceased husband claimed benefits at age 64, reducing his benefits by 13%. Under the first part of the formula, the widow(er)'s limit, his decision to retire early would similarly reduce her benefit by 13%. Because she receives the smaller amount determined under each part of the test, she would receive a widow's benefit equal to 87% of his PIA rather than 90.5%.

More could be done to ensure that married workers better understand the effect of claiming benefits early on a surviving spouse (see Sass et al. 2008). But, even with better information and more involvement of one spouse in the decision of the other spouse (which is unlikely in the case of ex-spouses), low-income workers may not have sufficient other resources to delay claiming benefits.

3. The proposal: an alternative widow(er)'s benefit

Under this proposal, a widow(er) would receive the higher of the current law benefit or an alternative benefit. The alternative benefit would be calculated as 75% of the sum of: a) the deceased spouse's worker benefit, computed as if he or she had claimed benefits at full retirement age, and b) the benefit which the surviving spouse had earned as a worker, reduced for the number of months the surviving spouse claimed worker benefits prior to full retirement age. To target the benefits of the proposal to those with lower earnings, the alternative benefit would be capped at the level of the benefit for a worker with career earnings at the average wage level. Benefits for divorced widow(er)s with a qualifying marriage would be calculated in the same way.

The proposal builds on a concept – calculating the widow(er)'s benefit as a fraction of the couple's combined benefits – that has been part of Social Security reform discussions for more than a decade, including the 1994-96 Advisory Council on Social Security, the 2001 report of the President's Commission to Strengthen Social Security, and various bills introduced in Congress. Variations on the concept have been analyzed by a number of advocates and researchers (see, e.g., Hartmann et al. 1999, Fitzpatrick and Entmacher 2000, Favreault and Sammartino 2000, GAO 2007).

The proposal developed in this paper has two distinctive features.

First, the 75% calculation is based on the combined *worker* benefits of each spouse. Most other versions of this proposal have been based on the combined benefits each spouse had been receiving, including the amount received as a spouse's benefit by the lower-earning spouse. Using only the worker benefits in the alternative calculation increases the effectiveness of this proposal in reducing the disparity in widow(er)'s benefits between single- and dual-earner couples with equal combined earnings and contributions to Social Security, improving benefit equity as well as the adequacy of benefits for eligible widow(er)s. Individuals who rely entirely or heavily on the spouse's benefit who do not receive an increase under the proposal would continue to receive their current-law benefit.

Second, the value of the benefit of the deceased spouse used in the 75% calculation is the full PIA. This avoids a reduction in the widow(er)'s benefit because of the deceased spouse's decision to claim benefits before full retirement age. It is more consistent with the way the reduction in the current law spouse's benefit for early claiming is determined. And, it increases the effectiveness of the proposal in improving the adequacy of benefits for lower earners and their surviving spouses, because lower earners are more likely to claim benefits early.

This proposal does not incorporate a reduction in the 50% spouse's benefit, as some variations of this proposal have done. The rationale for the reduction is that increasing the widow(er)'s benefit to 75% of the couple's combined benefits while reducing the 50% spouse's benefit to 33% shifts benefits from the time when both members of the couple are alive and economically secure to a time when the surviving spouse is economically vulnerable.¹⁰ However, because this proposal does not include spouse's benefits in the calculation of the new 75% combined benefit, there would be little or no increase in widow(er)'s benefits for those who are most reliant on spouse's benefits, making a reduction in spouse's benefits inappropriate.

This proposal would cap benefit increases under the alternative formula to limit the cost of the proposal and target the increases to low- and moderate-income widow(er)s. A simulation of a proposal to allow a surviving spouse to receive 75% of the couple's combined benefits (including spouse's benefits), but with no cap, found that more than half of the benefits would go to surviving spouses in the two highest quintiles of lifetime family earnings; less than 10% would go to survivors of couples in the lowest quintile (Favreault and Sammartino 2002). The cap suggested in this proposal is set at the level of the PIA of a career average-wage earner. This level would be adjusted annually; in 2006, the PIA of a career average-wage earner was \$1,375.70 per month (Social Security Administration 2008a). This cap is in the middle of the range of other proposals: higher than the average benefit level for all retired worker beneficiaries, \$1,044.40 in 2006, or new retired worker beneficiaries, \$1,073.30 in 2006 (Social Security Administration 2008a) (compare GAO 2007) and lower than the PIA for a career maximum earner, \$2,096.90 in 2006 (compare Hartmann 1999).

4. Beneficiaries of the proposal

This section first describes the characteristics of people who could be helped by the proposal, then discusses the results of calculations comparing benefits under current law and the proposal for illustrative couples and widow(er)s.

a. Individuals eligible for increased benefits under the proposal

To receive an increased benefit under this proposal, individuals must have a marital history that qualifies them for a benefit as a widow(er); be the surviving spouse of a couple in which both spouses are entitled to Social Security benefits as workers; and be entitled to a benefit under the proposed alternative formula that is higher than the benefit under current law, up to the level of the benefit of a worker who had earned the average wage.

1) Qualifying marital history

Currently, a large majority of women is potentially eligible for Social Security spouse or widow benefits; over three-fourths of women aged 40 to 69 in 2001 already had marital histories that will assure them of the option of a widow's benefit (Tamborini and Whitman 2007). However, changing marital histories among baby boomer and younger women mean that a smaller percentage of women in the future, although still a majority, will have marital histories that will qualify them for spouse or widow's benefits (Tamborini and Whitman 2007).¹¹

The change in marital histories, and the decline in the percentage of women eligible for spouse or widow benefits, is greatest among Black women. One study projected that the percentage of Black women who will reach retirement age with a qualifying marriage will decline from 90% for the 1920-29 cohort, to 67% for the 1940-1949 cohort, 58% for the 1950-59 cohort, and 50% for the 1960-69 cohort (Harrington Meyer et al. 2006). The same study found that the percentage of Hispanic women who would reach retirement age with a qualifying marriage will decline only slightly, from a high of 87% for the 1930-39 cohort to 85% for the 1960 to 1969 cohort. The percentage of White women with a qualifying marriage will decline from 94% for the 1920-29 and 1930-39 cohorts to 82% for the 1960-69 cohort (Harrington Meyer et al. 2006).

The variation in eligibility for widow's benefits by race and ethnicity makes it especially important that any Social Security reform plan include improvements for economically vulnerable beneficiaries who are not eligible for widow's benefits, particularly never-married women. However, the economic risks of widowhood, including for married Black women (Lee and Shaw 2008), and the large number of lower-earning women potentially eligible for widow's benefits based on marital histories, including half of Black women and 85% of Hispanic women in the youngest cohort, point to a role for an improved widow(er)'s benefit as part of a package of benefit improvements.

2) Both spouses entitled to worker benefits

This proposal requires that both spouses be entitled to benefits based on their own work records. Subject to the cap, the alternative calculation would produce a higher widow(er)'s benefit than current law for survivors of couples in which both spouses received worker-only benefits (that is, the lower-earning spouse was entitled to a benefit as a worker that equaled or exceeded 50% of the higher-earning spouse's worker benefit), and for survivors of some couples with a dually entitled spouse (entitled to both a worker benefit and a spouse's benefit "top-up").

The alternative calculation in this proposal would produce a higher benefit than current law for a couple with a dually entitled spouse if the worker benefit of the lower-earning spouse exceeds one-third of the higher-earner's benefit, assuming both spouses claimed benefits at full retirement age. (Because of the progressive benefit formula, the lower-earning spouse does not need lifetime earnings equal to one-third of the higher-earning spouse's earnings to receive a one-third benefit.) In addition, because of the different way the reduction for early retirement

decisions by the spouses is applied under the alternative formula, some surviving spouses in couples with a greater disparity in worker benefits whose spouse chose to retire early could receive an increase, as the examples discussed in Section 4.b show.

Most women in the future will have earnings histories that would allow them to qualify for an increased benefit under this element of the proposal, given the increase in women's labor force participation, the narrowing of the gender wage gap, the growing number of dual-earner couples, and the increasing share of couples' earnings contributed by wives. It is estimated that the percentage of women who receive benefits solely as wives or widows – that is, with no worker benefit of their own – will decline from about one-third in 2000 to about 5% in 2040 (Favreault and Sammartino 2002). The percentage receiving benefits as dually entitled spouses (spouses whose worker benefits are less than 50% of the higher earning spouse's) is only slightly lower in 2040 than in 2000, but the size of the top-up shrinks to less than 10% of their total benefit for a majority of dually entitled spouses (Favreault and Sammartino 2002). The small top-up means that most of these dually entitled spouses will have a high enough worker benefit to potentially benefit from this proposal.

This proposal gives the greatest increase to the surviving spouse in couples whose earnings are more nearly equal. Some data suggest that this feature of the proposal could particularly benefit couples in the lowest quintile of family earnings and Black and Hispanic couples.

In the lowest quintile of family earnings, one study found that the wife's annual earnings relative to the husband's were 61%, slightly higher than average (Winkler 1998). In addition, the percentage of cases in which the wife earned more than the husband in a year was nearly twice as high for couples in the lowest income quintile of family earnings (30%) as in the highest (16%) (Winkler 1998).

While there is limited information on the distribution of *lifetime* earnings within married couples of different racial and ethnic backgrounds, one study found that married Black women contributed a higher percentage of family income (38%) than married White women (30%) in 1990 (Hayghe 1993). In addition, data on the annual earnings gap between women and men, including those working part time or part year, shows a greater disparity between the earnings of White women and White men (66%) than women and men in other racial and ethnic groups, including Black women and Black men (82%), Hispanic women and Hispanic men (79%), and

Asian women and Asian men (72%) (Census 2008). Because marriages occur most frequently between people of similar racial, ethnic, and socio-economic backgrounds (Winkler 1998), these earnings patterns are likely to be associated with similar differences in earnings patterns during marriage.

The large majority of beneficiaries of this proposal are likely to be women. However, the proposal is likely to increase the proportion of men who qualify for a widow(er)'s benefit if they outlive their wives. The Government Accountability Office (GAO) modeled an alternative survivor benefit equal to 75 percent of the couple's previous combined benefit (including the spouse's benefit), capped at the average benefit level of all new retirees. It found that about three times as many women as men would receive an increase (GAO 2007). (In contrast, 88 times as many widows as widowers – 4,225,561 widows as compared to 47,881 widowers – qualified for a widow(er)'s benefit in 2006 (Social Security Administration 2008a)). The reason for the increase in men qualifying for a widower's benefit under an alternative formula based on the spouses' combined benefits is that under current law, a surviving spouse entitled to a higher benefit than the deceased spouse does not receive a widow(er)'s benefit; and, even with the increase in women's earnings, few wives are projected to have higher lifetime earnings than their husband's (Smith 2002). Under a formula based on combined worker benefits, a higher-earning surviving spouse in some dual-earner couples could qualify for an increase. This feature of the proposal allows both spouses to share in the Social Security benefits earned by the other spouse when they are widowed, and improves the adequacy of benefits for widowers in lower-income, dual-earner couples.

3) Entitled to a benefit higher than current law but below the cap

The cap limits the number of potential beneficiaries and the size of the increase they can receive. The proposal will not provide an increase for surviving spouses who are entitled under current law to receive a benefit higher than the cap, either as a worker or widow(er). If the current law benefit is below the cap, and 75% of combined worker benefits is above the cap, the cap limits the size of the increase under the proposal to the difference between the cap and the current law benefit.

b. Benefits for illustrative couples under current law and the proposal

The effects of the proposal on the surviving spouses of couples in different circumstances were calculated and compared to current law benefits.¹² The results, presented in a series of

tables at the end of the paper, illustrate the impact of the proposal on survivors of couples with different levels of earnings (measured by combined AIME), distribution of earnings between the spouses (measured by the percentage of combined AIME), monthly worker benefit levels (measured by PIA, calculated from the AIME using the 2008 formula factors) and timing of benefit claiming by each spouse. The calculations use a cap set at the PIA of a career average-wage earner, \$1,375.70 in 2006, corresponding to an AIME of \$2,973 in 2006. They assume that the full retirement age for both spouses is 66. They do not adjust for effects of the wage-indexing of the benefit formula or inflation adjustments for benefits claimed in different years. In Tables 1-4, the lower-earning spouse is assumed to be the survivor; Table 5 illustrates the effects when the higher-earning spouse is the survivor.

As expected, the alternative widow(er)'s benefit calculation produces the largest increases relative to current law for the survivors of couples with more nearly equal earnings, other factors being equal. The use of the unreduced benefit of the deceased spouse in the calculation also provides a significant improvement in the adequacy of benefits.

The effects of the proposal on couples with a combined AIME of \$3,000, about equal to the AIME of one average-wage earner, are presented in Table 1 and summarized in Chart 1. When both spouses claim benefits at full retirement age, the survivor of a couple with equal earnings (each contributing 50% of the combined AIME) would receive a 50% increase over current law. In comparison, the survivor of a couple in which one spouse contributed 5% of combined AIME would receive no increase; the survivor of a couple in which one spouse contributed 20% of combined AIME would receive a 9.3% increase; the survivor of a couple in which one spouse contributed 33% of combined AIME would receive a 27.2% increase. At these benefit levels, the cap would have no effect.

The increases under the proposal reduce the disparities that currently exist for survivors of couples with the same combined earnings, but a different distribution of earnings. Under current law, as Chart 1 shows, assuming that both spouses claim at full retirement age, the survivor of the nearly single-earner couple with total AIME of \$3,000 receives the highest benefit, \$1,324.30 per month, compared to \$892.30 for the survivor of an equal-earner couple with the same combined AIME. Under the proposal, the benefit for the survivor of this low, equal-earner couple increases to \$1,338.50, slightly higher than the benefit for the survivor of the nearly single-earner couple. The proposal does not eliminate all disparities between single- and

Chart 1: Widow(er)'s Benefits under Current Law and Proposal, Couples with Combined AIME of \$3,000

| | | | Both claim all benefits at FRA (66) | | | Higher earner claims at 62; lower earner survives, claims worker & widow(er) benefits at FRA (66) | | |
|--------------------------------|---------------------|--------------------|-------------------------------------|-----------------------------|--------------------|---|-----------------------------|--------------------|
| Lower Earner's % of Total AIME | Higher Earner's PIA | Lower Earner's PIA | Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law | Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law |
| 5% | \$1,324.38 | \$135 | \$1,324.30 | \$1,324.30 | 0% | \$1,092.60 | \$1,094.50 | 0.2% |
| 20% | \$1,180.38 | \$540 | \$1,180.30 | \$1,290.20 | 9.3% | \$973.80 | \$1,290.20 | 32.5% |
| 33% | \$1,052.38 | \$732.38 | \$1,052.30 | \$1,338.50 | 27.2% | \$868.20 | \$1,338.50 | 54.2% |
| 50% | \$892.38 | \$892.38 | \$892.30 | \$1,338.50 | 50% | \$892.30 | \$1,338.50 | 50% |

Source: Author's calculations

dual-earner couples, because it protects current law benefits. For example, the survivor benefit for the dual-earner couple in which the survivor earned 20% of the combined income, \$1,290.20, is higher than under current law, but remains lower than the benefit for the survivor in a nearly single-earner couple.

Table 1 and Chart 1 also show that the proposal can significantly increase benefits for survivors affected by their spouse's decision to claim benefits before full retirement age. For example, if both claimed benefits at full retirement age, a widow who had earned 33% of combined AIME of \$3,000 would receive a widow's benefit under current law of \$1,052.30. However, if her husband had claimed benefits at age 62, under current law her widow's benefit would drop to \$868.20, even if she waited until her full retirement age to claim widow's benefits. Under this proposal, his decision to claim early would not affect her survivor's benefit. If she claimed her worker benefits at her full retirement age, her benefit under the alternative formula would be \$1,290.20: an increase of 54.2% relative to current law.

Table 2 illustrates that a difference in the relative ages of the spouses does not change the basic pattern under the proposal. However, these calculations do not include the impact of the wage indexing of the benefit formula and the price indexing of benefits for benefits claimed in different years.

Table 3 and Chart 2 illustrate the proposal on couples with combined AIME of \$4,500, and highlight the impact of the cap. Because the cap is set at the PIA of an average-wage earner

(AIME of approximately \$3,000), there is no increase above current law when the PIA of the higher-earning spouse exceeds that level and both claim at full retirement age. (Increases are available under the alternative calculation when the current law widow(er)'s benefit has been reduced below the PIA of an average-wage earner because of the early retirement of the higher-earning deceased spouse.) When the earnings are split equally, so that each spouse's AIME of \$2,250 is below the level of an average-wage earner, and both claim benefits at full retirement age, the formula increases the widow(er)'s benefit from \$1,132.30 to \$1,375.70, a 21.5% increase, as shown in Chart 2. However, the cap limits the size of the increase; 75% of combined benefits with no cap would produce a benefit of \$1,698.50, as shown in the fuller calculations presented in Table 3.

Chart 2, Widow(er)'s Benefits under Current Law and Proposal, Couples with Combined AIME of \$4,500

| | | | Both claim all benefits at FRA (66) | | | Higher earner claims at 62; lower earner survives, claims worker & widow(er) benefits at FRA (66) | | |
|--------------------------------|---------------------|--------------------|-------------------------------------|-----------------------------|--------------------|---|-----------------------------|--------------------|
| Lower Earner's % of Total AIME | Higher Earner's PIA | Lower Earner's PIA | Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law | Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law |
| 5% | \$1,780.38 | \$202.50 | \$1,780.30 | \$1,780.30 | 0% | \$1,468.80 | \$1,468.80 | 0% |
| 20% | \$1,564.38 | \$700.38 | \$1,564.30 | \$1,564.30 | 0% | \$1,290.60 | \$1,375.70 | 6.6% |
| 33% | \$1,372.38 | \$892.38 | \$1,372.30 | \$1,375.70 | 0.2% | \$1,132.20 | \$1,375.70 | 21.5% |
| 50% | \$1,132.38 | \$1,132.38 | \$1,132.30 | \$1,375.70 | 21.5% | \$1,132.30 | \$1,375.70 | 21.5% |

Source: Author's calculations

The cap has an even greater impact on couples with combined AIME of \$6,000. Table 4 shows that the alternative formula produces an increase only in limited circumstances: when earnings are split equally, giving each an AIME equal to that of an average-wage earner, and actuarial reductions reduce current law widow(er)'s benefits below the PIA of an average-wage earner.

When both spouses claim all benefits at full retirement age, it makes no difference under current law or the proposal whether the higher or lower earner is the surviving spouse. However,

claiming benefits before full retirement age can produce different results under both current law and this proposal, depending on when benefits are claimed by each spouse and whether the higher- or lower-earning spouse is the survivor. Table 5 is similar to Table 1 except that in Table 5, the higher-earning spouse is assumed to be the survivor. Chart 3, below, compares the results. It shows that when both spouses claim worker benefits at age 62, and the surviving spouse claims widow(er)'s benefits at age 63, Social Security currently provides a higher benefit when the lower-earning spouse is the survivor (\$868.20) than when the higher-earning spouse is the survivor (\$789.20). The reason is that the 82.5% floor on the widow(er)'s limit (see discussion in section 2.b, above) provides some protection to lower-earning survivors from the full impact of the early-retirement decision of the higher-earning spouse.

Chart 3, Widow(er)'s Benefits under Current Law And Proposal, When the Lower/Higher Earner Is the Surviving Spouse; Spouses' AIME of \$2,000, \$1,000

| Both claim all benefits at FRA (66) | | | Both claim worker benefits at 62; lower earner survives, claims widow(er) benefits at 63 | | | Both claim worker benefits at 62; higher earner survives, claims widow(er) benefits at 63 | | |
|-------------------------------------|-----------------------------|--------------------|--|-----------------------------|--------------------|---|-----------------------------|--------------------|
| Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law | Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law | Widow(er) Benefit, Current Law | Widow(er) Benefit, Proposal | % over Current Law |
| \$1,052.30 | \$1,338.50 | 27.2% | \$868.20 | \$1,201.10 | 38.3% | \$789.20 | \$1,140.10 | 54.2% |

Source: Author's calculations

This proposal also provides a higher benefit in some cases when the lower-earning spouse is the survivor than when the higher-earning spouse is the survivor; in the same example, \$1,201.10 as compared to \$1,140.10. The reason is that the alternative formula uses the *unreduced* worker benefit of the deceased spouse and the *reduced* worker benefit of the surviving spouse in calculating 75% of the combined benefits. When the benefit subject to reduction because of early retirement is the larger benefit, it has a greater impact on the result.

5. Implementing the proposal

The proposal would be relatively easy to implement. The Social Security Administration already collects all the information needed to calculate benefits under the proposal. The proposal would add another layer of complexity to some benefit formulae and require some re-programming of computers. However, because beneficiaries would automatically receive the higher of the two benefits, the additional burden on staff should not be great. And, because the proposal is not tied to specific benefit cuts, no transition period is required to avoid harm to retirees or near-retirees.

This proposal utilizes concepts that already are part of Social Security policy in the United States, although it is not an approach currently in use in other countries' social insurance programs. Over the years, there have been several changes to the calculation of the benefit for a surviving spouse; adjusting the formula to allow a widow(er) to claim a benefit based on a combination of the couple's benefits would continue that trend. Social Security also has features that allow a beneficiary to receive the higher of alternative calculations (for example, under the regular formula or the alternative special minimum benefit); establish a floor on reductions (for example, the 82.5% floor on the widow(er)'s limit); and establish caps on benefits (for example, the widow(er)'s limit and the family maximum).

It would not be difficult to apply the new policy to those already receiving Social Security widow(er)'s benefits, as well as to new widow(er) beneficiaries, because no additional data collection is required and beneficiaries would automatically receive the higher benefit. No transition period would be required, because the proposal would not reduce benefits. Applying the proposal to current beneficiaries would probably have only a modest effect on the benefits and cost of this proposal, because the substantial increase in labor force participation by married women did not take off until the baby boom generation.

The history of implementing Social Security benefit improvements provides precedents both for applying increases to current beneficiaries and limiting them to new applicants. For example, the Social Security Amendments of 1972, Public Law 92-603, Sec. 102, raised the widow's benefit from a maximum 82.5% of the deceased worker's PIA to 100%, subject to the widow(er)'s limit. The law made the increase applicable to all such benefits payable after the effective date; widows already receiving benefits as well as new beneficiaries received an increase when the law took effect. The 1983 Social Security Amendments, Public Law 98-21,

Sec. 134, increased benefits for disabled widows entitled before age 60 to the level of benefits payable to widows who become entitled at age 60. This change also was made applicable to all such benefits payable after the law's effective date, so disabled widows who had started taking benefits below age 60 received an increase along with new applicants.

Some other benefit improvements were only made prospectively. For example, the Social Security Amendments of 1977, PL 95-216, Sec. 337, reduced from 20 to 10 years the number of years a divorced spouse must have been married to claim benefits on the former spouse's work record. But those already receiving benefits who were divorced after marriages of more than 10 but less than 20 years were not made eligible for divorced spouse benefits; the change only applied to applications filed after on or after the effective date of the amendment.

6. Other impacts and unintended consequences

Raising Social Security benefits for low-income people could affect their eligibility for the means-tested Supplemental Security Income (SSI) program. That, in turn, could affect their eligibility for other means-tested benefits – resulting potentially in slightly higher cash income but a net loss in benefits.

In general, Social Security has advantages over SSI as a way to ensure basic income adequacy: there is no stigma attached to applying for benefits, no means test for staying qualified, and no restrictive asset test. Many poor elderly people do not receive SSI, while Social Security is virtually universal. However, there are some potential disadvantages to replacing SSI benefits with income from Social Security.¹³ For example, eligibility for SSI carries with it automatic Medicaid coverage in most states. Households in which all members receive SSI are automatically eligible for the Supplemental Nutrition Assistance Program (formerly Food Stamps), ensuring at least a minimum benefit. States may choose to make households in which at least one person receives SSI automatically eligible for the Low-Income Home Energy Assistance Program. Adjustments to these other programs would be needed to ensure that individuals who lose SSI eligibility because of a small increase in Social Security benefits do not end up worse off.

Another possible unintended consequence relates to changing incentives for the timing of benefit claiming. In theory, basing the alternative benefit calculation on the unreduced benefit of the deceased spouse would remove an incentive for married, higher-earning spouses to delay claiming benefits to improve benefits for a surviving spouse. It is unclear how large an impact

this change would have in reality, especially for the lower-income couples who are the target of this proposal. Existing incentives to delay claiming benefits have had a limited impact on lower-earning men, who are more likely than higher-earning men to claim Social Security benefits early and have pensions without survivor benefits (Smith 2003). The difficulty of continuing to work in physically demanding jobs and the limited availability of other income or assets to live on make claiming Social Security benefits at an early age a necessity for many low-wage workers.

The effect of the proposal on the benefit claiming decisions of married workers at higher income levels also is likely to be limited, but for different reasons. Because of the cap, the proposal does not apply to the high-wage earners who might be most responsive to a change in incentives. In addition, there are other incentives, besides protecting a surviving spouse from an actuarial reduction that will continue to encourage high-earning married men to wait to claim benefits until full retirement age. Higher-earning men have longer life expectancies than lower-earning men, so concerns about the adequacy of their own benefits later in life should encourage them to delay claiming benefits. Many higher-earning men have income from employment up to (or beyond) full retirement age, so the retention of the earnings test below full retirement age will continue to deter the early claiming of benefits (Smith 2003). (Conversely, the elimination of the earnings test at full retirement age is reducing the number of high earners who delay claiming benefits beyond full retirement age (Smith 2003), suggesting that the opportunity to boost benefits for themselves and a surviving spouse with delayed retirement credits has limited effectiveness as an incentive, even for high earners.)

7. The cost of the proposal

The literature provides estimates of the cost of related proposals, which permit an estimate of the range of possible costs of this proposal.

The GAO recently estimated the cost of a proposal that would provide a widow(er) with the higher of the current law benefit or 75% of the couple's previous combined benefit, capped at the average benefit level for all new retirees. It found that the proposal would cost 0.07% of taxable payroll over the next 75 years (GAO 2007). This means that if the improvement were financed solely by increasing payroll taxes under the current structure (with no expansion of the taxable wage base), employee payroll taxes would increase by 0.035 percentage points, from 6.2% to 6.235%, matched by an increase in the tax paid by employers. The proposal analyzed by

GAO has some features that would increase its cost relative to this proposal, and others that would reduce its relative cost. The GAO proposal includes spouse's benefits in the calculation of the couple's combined benefits; this would expand eligibility to single-earner couples and more couples with a dually entitled spouse, and raise the amount of the increase for some beneficiaries. On the other hand, the GAO proposal has a lower cap than this proposal, and bases the calculation on the "couple's previous combined benefit" – which appears to incorporate actuarial reductions in the benefit of the deceased spouse.

A proposal similar to that analyzed by GAO, except that the cap was set at the PIA of a steady average-wage earner, virtually the same level as proposed in this paper, was estimated by the Office of the Actuary at Social Security in 1999. At the time, the cost was estimated at 0.13% of taxable payroll (Goss 1999).

To put these cost estimates into perspective, the most recent estimate of the 75-year actuarial deficit in the Social Security Trust Fund was projected to be 1.70% of taxable payroll in 2008 (Board of Trustees 2008).

8. Financing the proposal

The best way to finance this improvement in benefits would be by raising revenues for Social Security, rather than by cutting other benefits. This approach may seem unrealistic at a time when Social Security already faces a long-term shortfall. However, the shortfall is manageable (Reno and Lavery 2005, Reno and Lavery 2006) and there are a variety of ways to broaden the Social Security tax base and otherwise raise revenues that could eliminate the shortfall and help finance improvements in benefits for vulnerable beneficiaries (Reno 2007). Social Security benefits are already modest and replacement rates (the percentage of pre-retirement income replaced by Social Security) are falling (Reno and Lavery 2007). And, at a time when Americans face an environment of increased economic risk, Social Security offers a strong foundation for improving economic security in retirement, especially for those who are most vulnerable. Social Security is virtually universal; fully portable between jobs; covers low-paid, part-time and temporary workers and the self-employed; provides secure, life-long retirement benefits not subject to the ups and downs of the market or the risk of depletion prior to reaching retirement; keeps up with increases in the cost of living; provides retirement benefits to spouses, surviving spouses and divorced spouses; includes disability and life insurance benefits

as well as retirement benefits for workers and their families; imposes few responsibilities on employers; and is highly efficient (Reno 2007).

If cuts in benefits are used to help finance this and other improvements, they should be part of a generally progressive plan. Because the alternative calculation in this proposal is based on a couple's combined *worker* benefits, it offers little or no improvement to those most reliant on the 50% spouse's benefit. Therefore, reducing the spouse's benefit from 50% to 33% of the higher earner's benefit would not be an appropriate way of financing this proposal.

9. Options for adjusting the impact and cost of the proposal

Adjusting the level of the cap would change the number of potential beneficiaries, the size of their benefit increase, the distribution of benefits by income, and the cost of the proposal. The Office of the Actuary estimated the cost in 1999 of a proposal to increase the survivor benefit to 75% of the couple's combined benefits (including spouse's benefits) with the cap set at three different levels. With a cap at the average PIA of new retired worker beneficiaries, the cost was 0.09% of taxable payroll; with a cap at the PIA of a steady average-wage earner (virtually the same cap as this proposal), the cost was 0.13% of payroll; and, with a cap at the PIA of a steady maximum-wage earner, the cost was 0.44% of payroll (Goss 1999). The cap also could be adjusted by raising it gradually over time. For example, it could start at 85% of the PIA of a worker earning the average wage, and gradually increase to 100%.

The percentage of the combined benefit that survivors would receive also could be adjusted. At 75% of combined worker benefits, assuming benefits are claimed by both spouses at full retirement age, the proposal would produce a higher benefit than current law if the worker benefit of the lower-earning spouse exceeds one-third of the higher earner's benefit. Lowering the percentage used in the calculation of the alternative benefit to 67% would mean that only couples in which the lower earner's worker benefits exceeds 50% of the higher earner's benefit could receive an increase, assuming both claim at full retirement age. This would lower the cost and benefits of the proposal. A proposal that would have enabled survivors to claim 67% of the couple's combined benefits was estimated in 1999 to cost 0.03% of taxable payroll if capped at the PIA of the average retired worker, compared to 0.09% for the 75% proposal with the same cap (Goss 1999). (An estimate of the cost of the 67% proposal if capped at the level of a steady average earner is not available.)

Costs also could be reduced by using the reduced benefit of the deceased spouse in the calculation of the alternative combined benefit.

10. Alternative ways to help economically vulnerable widow(er)s

Some proposals would specifically change widow(er)'s benefits, including earnings sharing and elimination or modification of the widow(er)'s limit. Other policies could improve benefits more generally for economically vulnerable beneficiaries, including some widows, such as improving the minimum benefit, providing credit for caregiving, increasing the progressivity of the benefit formula, and/or increasing benefits for older retirees. The proposal in this paper is clearly no substitute for such general improvements: many poor beneficiaries, including never-married and divorced women not married for ten years, could not benefit from an improved widow(er) benefit. At the same time, these general policies may fail to assist many people who are economically vulnerable at widowhood. Some of these policies could complement the improved widow(er)'s benefit proposed in this paper; simulating the effects of various policy changes in combination could identify ways to adjust the parameters of each policy change to achieve the best outcomes.

a. Earnings sharing

Earnings sharing combines, and divides, the earnings records of a husband and wife during the period of the marriage for the purpose of computing Social Security benefits. The concept embodies the appealing concept of marriage as an economic partnership, and was the subject of detailed analyses in the late 1970s and 1980s (see, e.g., Fierst and Campbell (1988)). However, these studies identified difficult implementation and transition issues and unexpected distributional consequences (see Favreault and Steuerle (2007) for a review of the literature).

Favreault and Steuerle (2007) recently took another look at earnings sharing. They examined three options, applying each without a transition period to those born in 1947 or later and for periods of marriage starting in 1961. The study found that under two of the options, the majority of widowed women would lose benefits relative to current law, and poverty among widows would increase. Widows fared comparatively better under the third option; 28% of widowed women would lose benefits relative to current law, compared to 72% who would gain, and poverty among widows would decrease; however, 75% of married women would lose benefits under this option. Thus, despite the changes in women's work and marriage patterns in recent decades, the options for earnings sharing analyzed by Favreault and Steuerle present some

of same the challenges identified earlier: difficult implementation and transition issues and unexpected distributional consequences.

b. Eliminating or adjusting the widow(er)'s limit

One of the problems with the adequacy of the current widow(er)'s benefit is the reduction imposed because of the retirement decision of the higher-earning spouse. Abolishing the widow(er)'s limit would increase benefits for about 2.8 million widow(er)s at a cost of about \$3.1 billion per year; however, most of the added expenditures would *not* go to the poor and near poor (Weaver 2001). Weaver (2001) also analyzed a number of options for adjusting the widow(er)'s limit, including raising the floor on the widow(er)'s limit, allowing persons widowed before full retirement age to receive an actuarial adjustment to their widow(er)'s benefit by delaying receipt of the widow(er)'s benefit, and providing relief from the widow(er)'s limit in certain cases.

An adjustment to the widow(er)'s limit could complement the proposal in this paper, providing an increase for some widow(er)s who do not benefit from this proposal. However, adjusting the widow(er)'s limit would not help the surviving spouse of a couple with two low earners, where the low widow(er)'s benefit results not from the widow(er)'s limit but the disparity in survivor benefits between single- and dual-earner households.

c. General benefit improvements

Because widow(er)s are a disproportionate share of older retirees, they would disproportionately benefit from a policy that increased benefits for economically vulnerable older retirees (for example, above age 80 or 85). However, increased benefits for older retirees would not address the drop in income at widowhood, an event which increases the risk of poverty for early widows as well as older ones (Lee and Shaw 2008). In addition, those who are widowed early are more likely to be economically vulnerable – with less education, poorer health, and lower earnings – than those continuously married (Karamcheva and Munnell 2007). The two policies – improving benefits for older retirees and the proposed alternative combined survivor benefit – serve overlapping but not coextensive populations.

Policies that would improve the minimum benefit, raise low benefits, or provide caregiving credits are vital strategies for reducing poverty among never-married women, divorced women ineligible for widow's benefits, and other economically vulnerable people. However, these changes may provide little or no increase in benefits for most widows, because

their own worker benefits, even with these enhancements, are likely to continue to be below the level of their deceased husband's. (These proposals could increase her widow's benefit if they raised her husband's benefit, even if her own benefit remained lower than his.) Both types of proposals – improving benefits for low earners and/or caregivers and calculating the widow(er)'s benefit as 75% of combined worker benefits -- could be implemented together, and the effects would be complementary and reinforcing. The survivor of a couple with two low earners would receive a greater boost than under either policy alone, while the cap on the survivor benefit increase would maintain the targeting to low-income couples and survivors.

Conclusion

The benefits that Social Security provides to widow(er)s play a critical role in reducing poverty. But, even with Social Security, the poverty rate among widows is high, and, despite changes in marriage patterns, widows will remain the largest group of poor elderly women in the future.

The many positive features of Social Security and the heavy reliance of lower-income retirees, including widows, on income from Social Security make increasing Social Security benefits a highly effective strategy for improving the economic security of vulnerable retirees. Improving the adequacy and equity of the widow(er)'s benefit is one important component of a package of reforms to increase retirement security in an environment of increased economic risk.

¹ See Section 4.a.1, *infra*, for a discussion of changes in marriage patterns by race and ethnicity.

² See Section 2.a, *infra*, for an explanation of the decline.

³ The percentages used in the benefit formula are set by law, but the parameters of the brackets are adjusted each year for changes in average wages. In 2008, the PIA was based on 90% of the first \$711 of the AIME; 32% of AIME from \$711 to \$4,288; and 15% of AIME above \$4,288.

⁴ The reduction is 5/9 of one percent (or roughly 0.56%) for each month by which the worker's age at filing falls below full retirement age, up to 36 months, plus 5/12 of one percent for each month over 36 (Social Security Administration 2008b). A worker who waits until after full retirement age to begin claiming benefits qualifies for delayed retirement credits that can raise the monthly benefit for himself and a lower-earning surviving spouse. The positive adjustment factor for workers born in 1943 or later is 8% per year, or 0.67% per month. The delayed retirement adjustment factor is smaller for workers born before 1943.

⁵ Divorced spouses ages 62 or higher are not required to wait to claim spouse's benefits until their ex-spouse claims retirement benefits, if the ex-spouse is eligible to do so.

⁶ A widow can begin claiming benefits at age 60 (the earliest that workers can begin claiming retirement benefits is at age 62), at age 50 if she is disabled, or at any age if she is caring for a child (under age 16 or adult disabled child) of the deceased worker. For those widows eligible to claim before age 60, additional reductions are not applied.

⁷ An individual who is entitled to a benefit as a worker and a widow(er) can choose which benefit to receive first. This could allow her or him to avoid a permanent reduction in one of the benefits or maximize delayed retirement credits in the worker benefit. (The rules are different for the spouse's benefit; an individual claiming the spouse's benefit before his or her full retirement age must, if eligible, apply for a worker benefit at the same time.)

⁸ The widow(er)'s limit also can prevent widows from recovering benefits suspended under another provision of Social Security, the earnings limit. Individuals who claim benefits before full retirement age and have earnings in excess of the Social Security earnings limit have part of their benefits suspended. In general, when a beneficiary affected by the earnings limit reaches full retirement age, benefits are increased to make up for these suspended benefits. However, a widow who started receiving widow's benefits before her full retirement age, continued to work to supplement her benefits, and had part of her benefits suspended because of the earnings limit, could be prevented from receiving those suspended benefits at her full retirement age if that would put her over the widow(er)'s limit (Weaver 2001).

⁹ This reduction is calculated by dividing 28.5% by the total number of months between age 60 and full retirement age (Social Security Administration 2008b).

¹⁰ With the decrease, combined benefits for a single-earner couple, assuming all benefits were claimed at full retirement age, would decline from 150% of PIA (100% + 50%) to 133.33% (100% + 33.33%). The widow(er)'s benefit would equal the current-law benefit. Current law = 100% of higher earner's benefit; alternative $.75(133.33) = 100\%$.

¹¹ The percentage of married women with higher lifetime earnings than their husband's also will increase in the future, but will remain low (Smith 2002).

¹² The calculator was developed for this paper by Chad Newcomb, former Senior Policy Analyst at the National Women's Law Center, and Mark Leymaster, Renaissance Software.

¹³ With the exception of a \$20 per month disregard, every \$1 of Social Security income reduces SSI income by \$1. So, for an SSI recipient, the increased income from a higher Social Security benefit may mean only an additional \$20 per month.

Widow(er)'s Benefits under Current Law and an Alternative Equal to 75% of Their Combined Worker Benefits

Table 1. Combined AIME of \$3,000

Assumptions: Lower earner (she) is the survivor. He and she are the same age. Full retirement age for both is 66. Cap is set at PIA of average-wage earner, \$1,375.70. No adjustment for wage-indexing of the benefit formula or inflation for benefits claimed in different years.

Her AIME is 5% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,324.30 | 1,094.50 | 1,094.50 | 1,324.30 | 0.0% |
| 66 [66]/ 62[66] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,094.50 | 1,094.50 | 1,094.50 | 0.2% |
| 64 [66]/ 62[66] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,081.00 | 1,081.00 | 1,092.60 | 0.0% |
| 64 [65]/ 62[65] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,081.00 | 1,081.00 | 1,092.60 | 0.0% |
| 62 [66]/ 62[66] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,069.10 | 1,069.10 | 1,092.60 | 0.0% |
| 62 [63]/ 62[63] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,069.10 | 1,069.10 | 1,092.60 | 0.0% |

Her AIME is 20% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 1,180.30 | 1,290.20 | 1,290.20 | 1,290.20 | 9.3% |
| 66 [66]/ 62[66] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,290.20 | 1,290.20 | 1,290.20 | 32.5% |
| 64 [66]/ 62[66] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,236.20 | 1,236.20 | 1,236.20 | 26.9% |
| 64 [65]/ 62[65] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,236.20 | 1,236.20 | 1,236.20 | 26.9% |
| 62 [66]/ 62[66] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,189.00 | 1,189.00 | 1,189.00 | 22.1% |
| 62 [63]/ 62[63] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,189.00 | 1,189.00 | 1,189.00 | 22.1% |

Her AIME is 33% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 1,052.30 | 1,338.50 | 1,338.50 | 1,338.50 | 27.2% |
| 66 [66]/ 62[66] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,338.50 | 1,338.50 | 1,338.50 | 54.2% |
| 64 [66]/ 62[66] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,265.30 | 1,265.30 | 1,265.30 | 45.7% |
| 64 [65]/ 62[65] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,265.30 | 1,265.30 | 1,265.30 | 45.7% |
| 62 [66]/ 62[66] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,201.10 | 1,201.10 | 1,201.10 | 38.3% |
| 62 [63]/ 62[63] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,201.10 | 1,201.10 | 1,201.10 | 38.3% |

Her AIME is 50% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New benefit | %>Current |
|-------------------|----------|----------|---------|---------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,338.50 | 1,338.50 | 1,338.50 | 50.0% |
| 66 [66]/ 62[66] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,338.50 | 1,338.50 | 1,338.50 | 50.0% |
| 64 [66]/ 62[66] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 773.30 | 1,249.20 | 1,249.20 | 1,249.20 | 61.5% |
| 64 [65]/ 62[65] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 773.30 | 1,249.20 | 1,249.20 | 1,249.20 | 61.5% |
| 62 [66]/ 62[66] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 736.20 | 1,171.10 | 1,171.10 | 1,171.10 | 59.1% |
| 62 [63]/ 62[63] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 736.20 | 1,171.10 | 1,171.10 | 1,171.10 | 59.1% |

Ages in column one are her age when she first receives benefits, [her age when she first receives widow's benefits]/His age when he first receives benefits, [his age at death].

"CL widow(er)" is the current law benefit for the widowed spouse.

Source: Author's calculations

Widow(er)'s Benefits under Current Law and an Alternative Equal to 75% of Their Combined Worker Benefits

Table 2. Combined AIME of \$3,000

Assumptions: Lower earner(she) is the survivor. She is 3 years younger. Full retirement age for both is 66. Cap is set at PIA of average-wage earner, \$1,375.70. No adjustment for wage-indexing of the benefit formula or inflation for benefits claimed in different years.

Her AIME is 5% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,324.30 | 1,094.50 | 1,094.50 | 1,324.30 | 0.0% |
| 64 [66]/ 66[69] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,324.30 | 1,081.00 | 1,081.00 | 1,324.30 | 0.0% |
| 64 [65]/ 66[68] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,261.40 | 1,081.00 | 1,081.00 | 1,261.40 | 0.0% |
| 63 [66]/ 66[69] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,324.30 | 1,074.20 | 1,074.20 | 1,324.30 | 0.0% |
| 66 [66]/ 62[69] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,094.50 | 1,094.50 | 1,094.50 | 0.2% |
| 64 [66]/ 62[69] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,081.00 | 1,081.00 | 1,092.60 | 0.0% |
| 64 [65]/ 62[68] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,081.00 | 1,081.00 | 1,092.60 | 0.0% |
| 62 [66]/ 62[69] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,069.10 | 1,069.10 | 1,092.60 | 0.0% |
| 62 [63]/ 62[66] | 150.00 | 2,850.00 | 135.00 | 1,324.38 | 10.2% | 1,092.60 | 1,069.10 | 1,069.10 | 1,092.60 | 0.0% |

Her AIME is 20% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 1,180.30 | 1,290.20 | 1,290.20 | 1,290.20 | 9.3% |
| 64 [66]/ 66[69] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 1,180.30 | 1,236.20 | 1,236.20 | 1,236.20 | 4.7% |
| 64 [65]/ 66[68] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 1,124.30 | 1,236.20 | 1,236.20 | 1,236.20 | 10.0% |
| 63 [66]/ 66[69] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 1,180.30 | 1,209.20 | 1,209.20 | 1,209.20 | 2.4% |
| 66 [66]/ 62[69] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,290.20 | 1,290.20 | 1,290.20 | 32.5% |
| 64 [66]/ 62[69] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,236.20 | 1,236.20 | 1,236.20 | 26.9% |
| 64 [65]/ 62[68] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,236.20 | 1,236.20 | 1,236.20 | 26.9% |
| 62 [66]/ 62[69] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,189.00 | 1,189.00 | 1,189.00 | 22.1% |
| 62 [63]/ 62[66] | 600.00 | 2,400.00 | 540.00 | 1,180.38 | 45.7% | 973.80 | 1,189.00 | 1,189.00 | 1,189.00 | 22.1% |

Her AIME is 33% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 1,052.30 | 1,338.50 | 1,338.50 | 1,338.50 | 27.2% |
| 64 [66]/ 66[69] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 1,052.30 | 1,265.30 | 1,265.30 | 1,265.30 | 20.2% |
| 64 [65]/ 66[68] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 1,002.30 | 1,265.30 | 1,265.30 | 1,265.30 | 26.2% |
| 63 [66]/ 66[69] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 1,052.30 | 1,228.70 | 1,228.70 | 1,228.70 | 16.8% |
| 66 [66]/ 62[69] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,338.50 | 1,338.50 | 1,338.50 | 54.2% |
| 64 [66]/ 62[69] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,265.30 | 1,265.30 | 1,265.30 | 45.7% |
| 64 [65]/ 62[68] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,265.30 | 1,265.30 | 1,265.30 | 45.7% |
| 62 [66]/ 62[69] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,201.10 | 1,201.10 | 1,201.10 | 38.3% |
| 62 [63]/ 62[66] | 1,000.00 | 2,000.00 | 732.38 | 1,052.38 | 69.6% | 868.20 | 1,201.10 | 1,201.10 | 1,201.10 | 38.3% |

Her AIME is 50% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|---------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,338.50 | 1,338.50 | 1,338.50 | 50.0% |
| 64 [66]/ 66[69] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,249.20 | 1,249.20 | 1,249.20 | 40.0% |
| 64 [65]/ 66[68] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 849.90 | 1,249.20 | 1,249.20 | 1,249.20 | 47.0% |
| 63 [66]/ 66[69] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,204.70 | 1,204.70 | 1,204.70 | 35.0% |
| 66 [66]/ 62[69] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,338.50 | 1,338.50 | 1,338.50 | 50.0% |
| 64 [66]/ 62[69] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,338.50 | 1,338.50 | 1,338.50 | 50.0% |
| 64 [65]/ 62[68] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 892.30 | 1,338.50 | 1,338.50 | 1,338.50 | 50.0% |
| 62 [66]/ 62[69] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 736.20 | 1,171.10 | 1,171.10 | 1,171.10 | 59.1% |
| 62 [63]/ 62[66] | 1,500.00 | 1,500.00 | 892.38 | 892.38 | 100.0% | 736.20 | 1,171.10 | 1,171.10 | 1,171.10 | 59.1% |

Ages in column one are her age when she first receives benefits, [her age when she first receives widow's benefits]/His age when he first receives benefits, [his age at death].

"CL widow(er)" is the current law benefit for the widowed spouse.

Source: Author's calculations

Widow(er)'s Benefits under Current Law and an Alternative Equal to 75% of Their Combined Worker Benefits

Table 3. Combined AIME of \$4,500

Assumptions: Lower earner (she) is the survivor. She is 3 years younger. Full retirement age for both is 66. Cap is set at PIA of average-wage earner, \$1,375.70. No adjustment for wage-indexing of the benefit formula or inflation for benefits claimed in different years.

Her AIME is 5% of Combined \$4,500

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,780.30 | 1,487.10 | 1,375.70 | 1,780.30 | 0.0% |
| 64 [66]/ 66[69] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,780.30 | 1,466.90 | 1,375.70 | 1,780.30 | 0.0% |
| 64 [65]/ 66[68] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,695.80 | 1,466.90 | 1,375.70 | 1,695.80 | 0.0% |
| 63 [66]/ 66[69] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,780.30 | 1,456.70 | 1,375.70 | 1,780.30 | 0.0% |
| 66 [66]/ 62[69] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,468.80 | 1,487.10 | 1,375.70 | 1,468.80 | 0.0% |
| 64 [66]/ 62[69] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,468.80 | 1,466.90 | 1,375.70 | 1,468.80 | 0.0% |
| 64 [65]/ 62[68] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,468.80 | 1,466.90 | 1,375.70 | 1,468.80 | 0.0% |
| 62 [66]/ 62[69] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,468.80 | 1,449.10 | 1,375.70 | 1,468.80 | 0.0% |
| 62 [63]/ 62[66] | 225.00 | 4,275.00 | 202.50 | 1,780.38 | 11.4% | 1,468.80 | 1,449.10 | 1,375.70 | 1,468.80 | 0.0% |

Her AIME is 20% of Combined \$4,500

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,564.30 | 1,698.50 | 1,375.70 | 1,564.30 | 0.0% |
| 64 [66]/ 66[69] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,564.30 | 1,628.40 | 1,375.70 | 1,564.30 | 0.0% |
| 64 [65]/ 66[68] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,490.00 | 1,628.40 | 1,375.70 | 1,490.00 | 0.0% |
| 63 [66]/ 66[69] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,564.30 | 1,593.50 | 1,375.70 | 1,564.30 | 0.0% |
| 66 [66]/ 62[69] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,290.60 | 1,698.50 | 1,375.70 | 1,375.70 | 6.6% |
| 64 [66]/ 62[69] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,290.60 | 1,628.40 | 1,375.70 | 1,375.70 | 6.6% |
| 64 [65]/ 62[68] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,290.60 | 1,628.40 | 1,375.70 | 1,375.70 | 6.6% |
| 62 [65]/ 62[68] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,290.60 | 1,567.10 | 1,375.70 | 1,375.70 | 6.6% |
| 62 [63]/ 62[66] | 900.00 | 3,600.00 | 700.38 | 1,564.38 | 44.8% | 1,290.60 | 1,567.10 | 1,375.70 | 1,375.70 | 6.6% |

Her AIME is 33% of Combined \$4,500

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,372.30 | 1,698.50 | 1,375.70 | 1,375.70 | 0.2% |
| 64 [66]/ 66[69] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,372.30 | 1,609.20 | 1,375.70 | 1,375.70 | 0.2% |
| 64 [65]/ 66[68] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,307.10 | 1,609.20 | 1,375.70 | 1,375.70 | 5.2% |
| 63 [66]/ 66[69] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,372.30 | 1,564.70 | 1,375.70 | 1,375.70 | 0.2% |
| 66 [66]/ 62[69] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,132.20 | 1,698.50 | 1,375.70 | 1,375.70 | 21.5% |
| 64 [66]/ 62[69] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,132.20 | 1,609.20 | 1,375.70 | 1,375.70 | 21.5% |
| 64 [65]/ 62[68] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,132.20 | 1,609.20 | 1,375.70 | 1,375.70 | 21.5% |
| 62 [66]/ 62[69] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,132.20 | 1,531.10 | 1,375.70 | 1,375.70 | 21.5% |
| 62 [63]/ 62[66] | 1,500.00 | 3,000.00 | 892.38 | 1,372.38 | 65.0% | 1,132.20 | 1,531.10 | 1,375.70 | 1,375.70 | 21.5% |

Her AIME is 50% of Combined \$4,500

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|----------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[69] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 1,132.30 | 1,698.50 | 1,375.70 | 1,375.70 | 21.5% |
| 64 [66]/ 66[69] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 1,132.30 | 1,585.20 | 1,375.70 | 1,375.70 | 21.5% |
| 64 [65]/ 66[68] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 1,078.50 | 1,585.20 | 1,375.70 | 1,375.70 | 27.6% |
| 63 [66]/ 66[69] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 1,132.30 | 1,528.70 | 1,375.70 | 1,375.70 | 21.5% |
| 66 [66]/ 62[69] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 1,132.30 | 1,698.50 | 1,375.70 | 1,375.70 | 21.5% |
| 64 [66]/ 62[69] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 981.30 | 1,585.20 | 1,375.70 | 1,375.70 | 40.2% |
| 64 [65]/ 62[68] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 981.30 | 1,585.20 | 1,375.70 | 1,375.70 | 40.2% |
| 62 [66]/ 62[69] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 934.20 | 1,486.10 | 1,375.70 | 1,375.70 | 47.3% |
| 62 [63]/ 62[66] | 2,250.00 | 2,250.00 | 1,132.38 | 1,132.38 | 100.0% | 934.20 | 1,486.10 | 1,375.70 | 1,375.70 | 47.3% |

Ages in column one are her age when she first receives benefits, [her age when she first receives widow's benefits]/His age when he first receives benefits, [his age at death].

*"CL widow(er)" is the current law benefit for the widowed spouse.

Source: Author's calculations

Widow(er)'s Benefits under Current Law and an Alternative Equal to 75% of Their Combined Worker Benefits

Table 4. Combined AIME of \$6,000

Assumptions: Lower earner (she) is the survivor. He and she are the same age. Full retirement age for both is 66. Cap is set at PIA of average-wage earner, \$1,375.70. No adjustment for wage-indexing of the benefit formula or inflation for benefits claimed in different years.

Her AIME is 5% of Combined \$6,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 300.00 | 5,700.00 | 270.00 | 1,996.34 | 13.5% | 1,996.30 | 1,699.70 | 1,375.70 | 1,996.30 | 0.0% |
| 66 [66]/ 62[66] | 300.00 | 5,700.00 | 270.00 | 1,996.34 | 13.5% | 1,646.90 | 1,699.70 | 1,375.70 | 1,646.90 | 0.0% |
| 64 [66]/ 62[66] | 300.00 | 5,700.00 | 270.00 | 1,996.34 | 13.5% | 1,646.90 | 1,672.70 | 1,375.70 | 1,646.90 | 0.0% |
| 64 [65]/ 62[65] | 300.00 | 5,700.00 | 270.00 | 1,996.34 | 13.5% | 1,646.90 | 1,672.70 | 1,375.70 | 1,646.90 | 0.0% |
| 62 [66]/ 62[66] | 300.00 | 5,700.00 | 270.00 | 1,996.34 | 13.5% | 1,646.90 | 1,649.10 | 1,375.70 | 1,646.90 | 0.0% |
| 62 [63]/ 62[63] | 300.00 | 5,700.00 | 270.00 | 1,996.34 | 13.5% | 1,646.90 | 1,649.10 | 1,375.70 | 1,646.90 | 0.0% |

Her AIME is 20% of Combined \$6,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|---------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 1,200.00 | 4,800.00 | 796.38 | 1,861.34 | 42.8% | 1,861.30 | 1,993.20 | 1,375.70 | 1,861.30 | 0.0% |
| 66 [66]/ 62[66] | 1,200.00 | 4,800.00 | 796.38 | 1,861.34 | 42.8% | 1,535.60 | 1,993.20 | 1,375.70 | 1,535.60 | 0.0% |
| 64 [66]/ 62[66] | 1,200.00 | 4,800.00 | 796.38 | 1,861.34 | 42.8% | 1,535.60 | 1,913.50 | 1,375.70 | 1,535.60 | 0.0% |
| 64 [65]/ 62[65] | 1,200.00 | 4,800.00 | 796.38 | 1,861.34 | 42.8% | 1,535.60 | 1,913.50 | 1,375.70 | 1,535.60 | 0.0% |
| 62 [66]/ 62[66] | 1,200.00 | 4,800.00 | 796.38 | 1,861.34 | 42.8% | 1,535.60 | 1,843.90 | 1,375.70 | 1,535.60 | 0.0% |
| 62 [63]/ 62[63] | 1,200.00 | 4,800.00 | 796.38 | 1,861.34 | 42.8% | 1,535.60 | 1,843.90 | 1,375.70 | 1,535.60 | 0.0% |

Her AIME is 33% of Combined \$6,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|----------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 2,000.00 | 4,000.00 | 1,052.38 | 1,692.38 | 62.2% | 1,692.30 | 2,058.50 | 1,375.70 | 1,692.30 | 0.0% |
| 66 [66]/ 62[66] | 2,000.00 | 4,000.00 | 1,052.38 | 1,692.38 | 62.2% | 1,396.20 | 2,058.50 | 1,375.70 | 1,396.20 | 0.0% |
| 64 [66]/ 62[66] | 2,000.00 | 4,000.00 | 1,052.38 | 1,692.38 | 62.2% | 1,396.20 | 1,953.20 | 1,375.70 | 1,396.20 | 0.0% |
| 64 [65]/ 62[65] | 2,000.00 | 4,000.00 | 1,052.38 | 1,692.38 | 62.2% | 1,396.20 | 1,953.20 | 1,375.70 | 1,396.20 | 0.0% |
| 62 [66]/ 62[66] | 2,000.00 | 4,000.00 | 1,052.38 | 1,692.38 | 62.2% | 1,396.20 | 1,861.10 | 1,375.70 | 1,396.20 | 0.0% |
| 62 [63]/ 62[63] | 2,000.00 | 4,000.00 | 1,052.38 | 1,692.38 | 62.2% | 1,396.20 | 1,861.10 | 1,375.70 | 1,396.20 | 0.0% |

Her AIME is 50% of Combined \$6,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|----------|----------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 3,000.00 | 3,000.00 | 1,372.38 | 1,372.38 | 100.0% | 1,372.30 | 2,058.50 | 1,375.70 | 1,375.70 | 0.2% |
| 66 [66]/ 62[66] | 3,000.00 | 3,000.00 | 1,372.38 | 1,372.38 | 100.0% | 1,372.30 | 2,058.50 | 1,375.70 | 1,375.70 | 0.2% |
| 64 [66]/ 62[66] | 3,000.00 | 3,000.00 | 1,372.38 | 1,372.38 | 100.0% | 1,189.30 | 1,921.20 | 1,375.70 | 1,375.70 | 15.7% |
| 64 [65]/ 62[65] | 3,000.00 | 3,000.00 | 1,372.38 | 1,372.38 | 100.0% | 1,189.30 | 1,921.20 | 1,375.70 | 1,375.70 | 15.7% |
| 62 [66]/ 62[66] | 3,000.00 | 3,000.00 | 1,372.38 | 1,372.38 | 100.0% | 1,132.20 | 1,801.10 | 1,375.70 | 1,375.70 | 21.5% |
| 62 [63]/ 62[63] | 3,000.00 | 3,000.00 | 1,372.38 | 1,372.38 | 100.0% | 1,132.20 | 1,801.10 | 1,375.70 | 1,375.70 | 21.5% |

Ages in column one are her age when she first receives benefits, [her age when she first receives widow's benefits]/ His age when he first receives benefits, [his age at death].

"CL widow(er)" is the current law benefit for the widowed spouse.

Source: Author's calculations

Widow(er)'s Benefits under Current Law and an Alternative Equal to 75% of Their Combined Worker Benefits

Table 5. Combined AIME of \$3,000

Assumptions: **Higher earner (she) is the survivor.** He and she are the same age. Full retirement age for both is 66. Cap is set at PIA of average-wage earner, \$1,375.70.

No adjustment for wage-indexing of the benefit formula or inflation for benefits claimed in different years.

Her AIME is 80% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|----------|---------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 1,180.30 | 1,290.20 | 1,290.20 | 1,290.20 | 9.3% |
| [66]/ 66[66] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 1,022.90 | 1,172.10 | 1,172.10 | 1,172.10 | 14.6% |
| 63 [66]/ 66[66] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 944.30 | 1,113.20 | 1,113.20 | 1,113.20 | 17.9% |
| 66 [66]/ 62[66] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 1,180.30 | 1,290.20 | 1,290.20 | 1,290.20 | 9.3% |
| 64 [66]/ 62[66] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 1,022.90 | 1,172.10 | 1,172.10 | 1,172.10 | 14.6% |
| 64 [65]/ 62[65] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 1,022.90 | 1,172.10 | 1,172.10 | 1,172.10 | 14.6% |
| 62 [66]/ 62[66] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 885.20 | 1,068.90 | 1,068.90 | 1,068.90 | 20.8% |
| 62 [63]/ 62[63] | 2,400.00 | 600.00 | 1,180.38 | 540.00 | 218.6% | 885.20 | 1,068.90 | 1,068.90 | 1,068.90 | 20.8% |

Her AIME is 67% of Combined \$3,000

| Her/HisRetireAge* | Her AIME | His AIME | Her PIA | His PIA | HerPIA%His | CL Widow(er) | 75%NoCap | 75%AvE.cap | New Benefit | %>Current |
|-------------------|----------|----------|----------|---------|------------|--------------|----------|------------|-------------|-----------|
| 66 [66]/ 66[66] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 1,052.30 | 1,338.50 | 1,338.50 | 1,338.50 | 27.2% |
| 64 [66]/ 66[66] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 912.00 | 1,233.20 | 1,233.20 | 1,233.20 | 35.2% |
| 63 [66]/ 66[66] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 841.90 | 1,180.70 | 1,180.70 | 1,180.70 | 40.2% |
| 66 [66]/ 62[66] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 1,052.30 | 1,338.50 | 1,338.50 | 1,338.50 | 27.2% |
| 64 [66]/ 62[66] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 912.00 | 1,233.20 | 1,233.20 | 1,233.20 | 35.2% |
| 64 [65]/ 62[65] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 912.00 | 1,233.20 | 1,233.20 | 1,233.20 | 35.2% |
| 62 [66]/ 62[66] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 789.20 | 1,141.10 | 1,141.10 | 1,141.10 | 44.6% |
| 62 [63]/ 62[63] | 2,000.00 | 1,000.00 | 1,052.38 | 732.38 | 143.7% | 789.20 | 1,141.10 | 1,141.10 | 1,141.10 | 44.6% |

Ages in column one are her age when she first receives benefits, [her age when she is widowed]/ His age when he first receives benefits, [his age at death].

"CL Widow(er)" is the current law benefit for the widowed spouse.

Source: Author's calculations

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