T. Rowe Price

Plan as a couple for important Social Security survivor benefits

Understanding the rules regarding survivor benefits can help you make better decisions.

T. Rowe Price Insights on Retirement

Key Insights

- Intentional planning around Social Security as a couple can help maximize lifetime benefits for both spouses.
- An individual can receive only one set of Social Security benefits at a time.
- In general, the higher-earning spouse should delay claiming their own benefits to ensure the greatest range of options for their surviving spouse.

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Social Security benefits play an important role in retirement planning, as they represent a major source of income for many retirees. While investors have likely thought about when to claim their own benefits, they may not have considered what will happen when one spouse passes away or how their choices today could substantially impact their surviving spouse's income options in the future. Understanding who is eligible for survivor benefits, as well as when and how much they can receive, may help provide some clarity and allow for a wider range of choices in the future.

What are survivor benefits?

Part of the taxes paid into Social Security are intended to support certain surviving family members when a taxpayer passes away—perhaps most importantly, widows and widowers. Monthly survivor benefits are based on the deceased taxpayer's earnings record. The amount a surviving spouse receives depends on many factors, including their age, whether they are eligible for benefits of their own, and the claiming status of the deceased spouse, among others.

Importantly, an individual can only receive one set of benefits at a time. If both spouses in a household are receiving Social Security benefits, the surviving spouse will generally receive the equivalent of the larger of the two possible benefits, but not both. As a result, in a household receiving two sets of benefits, the death of one spouse may lead to a significant loss of income from Social Security. Therefore, it's beneficial to plan ahead so the surviving spouse can maximize the benefits they receive.

Plan ahead as a couple

As a couple, you have important choices to make about when each spouse should claim their own benefits, as well as what value you may gain by working a few extra years to further grow those benefits. In general, the higher-earning spouse should delay claiming their benefits as long as possible to take advantage of the incremental increases awarded for deferring up until age 70. Doing so aids the household as a whole and sets up the surviving spouse with the largest possible benefits. (For more on the process of claiming, see "How to apply for survivor benefits.")

Social Security planning is often complex. This is particularly true when it comes to survivor benefits, as there are many variables involved in the planning choices and their implications. For instance:

1. **If both spouses have claimed their own benefits** *and the surviving spouse is full retirement age (FRA) or older*,[1] the survivor will receive an amount equal to the larger of the two benefits. If the surviving spouse has not yet reached FRA, they can continue receiving their own reduced benefits and switch to their survivor benefits at FRA, if higher. Of course, this could mean a substantial loss of income in the years between the first spouse's death and the survivor's FRA. Therefore, if cash flow is needed, the surviving spouse can opt to claim the larger of the two existing benefits immediately.

2. **If only the surviving spouse has claimed their own benefits** *and is FRA or older*, they will receive the larger of their own or their survivor benefits. If the survivor has not yet reached FRA, they may want to continue receiving their own reduced benefits then switch to their survivor benefits, if higher, at FRA. In this scenario, the survivor benefits (if collected at the survivor's FRA) will typically equal either the amount the deceased would have received if they had claimed on their date of death or their FRA benefits, whichever is higher.

3. **If the surviving spouse has not yet claimed their own benefits**, the considerations, including the spousal age gap and whether the deceased spouse had claimed their own benefits, and when, become slightly more nuanced.

In the first two scenarios, various factors will still influence the size of any survivor benefits, but the actual choices are somewhat limited. The many complicating factors involved in the third scenario, however, can apply to all three scenarios, especially when it comes to the survivor benefits available. In the next section, we will discuss the variables involved in calculating those benefits and provide a hypothetical example of how payment options may be affected.

How to apply for survivor benefits

Surviving spouses must apply in person for their survivor benefits.

The first step in applying for survivor benefits involves notifying the Social Security Administration (SSA) of the death of a taxpayer. Funeral homes generally handle this step, and they need the Social Security number of the deceased to complete their report. Any benefits paid on the deceased taxpayer's record in the month that he or she dies will be taken back by the SSA. No further benefits on this record will be paid until the surviving spouse or other eligible family member applies for survivor benefits and that application is approved.

To apply for survivor benefits, you must:

- schedule an in-person visit at your nearest SSA office and
- bring banking information to set up direct deposit (if desired).

Provide appropriate documentation to support your claim application, including, but not limited to:

- a death certificate for your spouse,
- a marriage certificate, and
- your birth certificate or proof of U.S. citizenship or lawful alien status.

Once the application has been made and approved, any benefits owed during the period between death and approval will be paid in full.

Factors that influence survivor benefits

In light of the various complexities associated with survivor benefits, here are some key considerations to keep in mind:

- **Spousal age gap.** In the case of a spousal age gap, FRAs—and the year in which each spouse reaches that age—may differ. Note that the benefits calculation for the surviving spouse is based on their FRA, not just the FRA of the deceased. While claiming survivor benefits before your FRA will reduce your benefits, claiming after your FRA will not result in any increase.
- **Deceased claiming status at death.** The age at which the first spouse passes away and whether they had claimed their own benefits (and when) could significantly influence the size of the surviving spouse's benefits. The longer the deceased spouse delayed collecting their own benefits, the higher the survivor benefits could be.
- **The widow(er) limit.** The "widow(er) limit" provision places a cap on the survivor benefits of a widow(er) whose deceased spouse claimed early retirement benefits. This cap is either the benefits the deceased spouse was receiving while alive or 82.5% of their FRA benefits, whichever is higher.
- **Actuarial reductions for survivors between age 60 and FRA.** The surviving spouse can claim as early as age 60,[2] but their survivor benefits may be reduced by as much as 28.5% if they claim these benefits before they reach FRA.

- **Working status of the surviving spouse (if younger than their own FRA).** While the surviving spouse is eligible to collect survivor benefits as early as age 60, their benefits will be reduced by $1 for every $2 they earn over the annual earnings test (AET) limit, which is $21,240 in 2023.[3] Therefore, if the survivor is still working, it may make sense to hold off on claiming their own benefits or their survivor benefits until they retire or surpass FRA (and the AET no longer applies to benefits).

- **Survivor benefits after divorce.** If an ex-spouse had been married for at least 10 years and the survivor remained unmarried at least until reaching age 60, the survivor can claim survivor benefits.

Optimizing survivor benefits

Given the many variables involved in the calculation of survivor benefits, it may be helpful to consider a hypothetical example. While this example is particularly illustrative of the third scenario mentioned previously, the options available to the surviving spouse (with regard to survivor benefits) are applicable to the other two scenarios as well.

Daniel, the older spouse, has passed away. His FRA was 66, and his FRA benefit was $24,000 per year. His widow, Susan, is 60 years old and is, therefore, ineligible to collect her own benefits. Her FRA is 67.[4]

The chart "Claiming Status and Age Impact on Survivor Benefits" illustrates Susan's survivor benefits depending on the following factors:

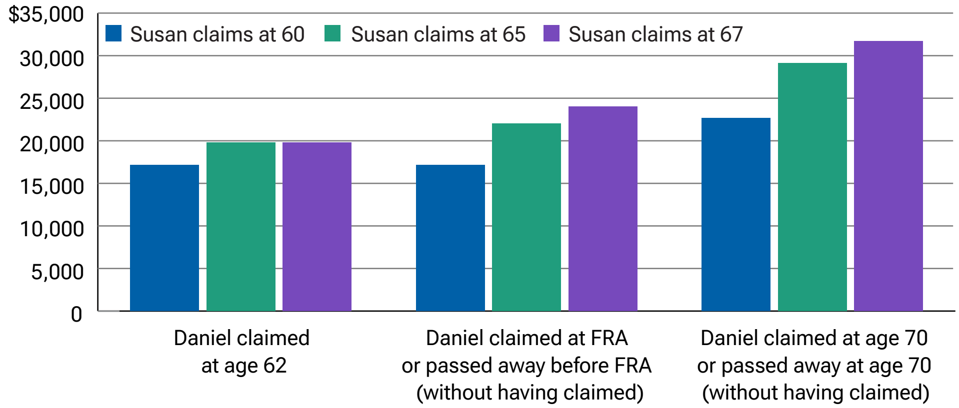
- How old Daniel was when he initially claimed his own benefits (in case he had claimed prior to death)

- How old Daniel was when he died (in case he had not yet claimed)

- Susan's age when she claims her survivor benefits

Claiming Status and Age Impact on Survivor Benefits

Susan's annual survivor benefits amount will depend on whether and when her spouse, Daniel, had claimed his own benefits, how old he was when he died (in case he had not yet claimed), and her age when she claims her survivor benefits.



For illustration purposes only. For simplicity, we are assuming no cost-of-living adjustment.

If Daniel claimed his own benefits before his FRA, Susan is subject to the "widow limit." In this case, since Daniel claimed at age 62, Susan will realize no additional increase in her survivor benefits for delaying beyond age 62 and 8 months, which is when she will reach her cap of $19,800 (equal to 82.5% of Daniel's FRA benefits). Note that if Daniel had claimed early, but close enough to his FRA that the amount he was receiving was greater than 82.5% of his FRA benefits, the widow limit would be higher, and there may be additional incentive for Susan to delay claiming her survivor benefits.

If Daniel passed away any time before his FRA without having claimed his benefits, Susan is entitled to receive 100% of his FRA benefits—provided she waits until her own FRA (age 67) to claim.

If Daniel claimed his own benefits at FRA (or later) or passed away any time after his FRA without having claimed his benefits, Susan is entitled to receive 100% of the amount Daniel was receiving (or would have received if he had claimed on his date of death)—again, provided she waits until her own FRA (age 67) to claim.

If Susan claims survivor benefits at age 65, the survivor benefits will still be reduced but by incrementally less than the full 28.5% reduction that would have applied if she claimed at age 60.[5]

In all instances, the longer Daniel had delayed claiming his own benefits (up to age 70) and the longer Susan can delay claiming her survivor benefits (up to her FRA), the higher Susan's potential survivor benefits will be. What's more, **if Susan is still working** and earning more than the $21,240 AET limit for 2023, she might consider holding off on claiming survivor benefits. There is a chance that all of her benefits, or at least a significant portion, would be withheld based on her earned income.

For example, if Susan earns $60,000 per year, $19,380 of her benefits would be withheld. While every full and partial month of withheld credits is eventually factored back into the benefits calculation once she reaches her FRA, it is not paid back in one lump sum. Therefore, because Susan's earned income would limit receipt of her full survivor benefits, she may consider holding off until she stops working or surpasses her FRA of 67. Once Susan retires and/or reaches age 68 (whichever comes first), she is no longer subject to the AET and can claim her own or her survivor benefits.

Another critical choice Susan may face depends on whether she is eligible to collect Social Security benefits on her own earnings record.

If she is no longer working, she might consider collecting her own reduced benefits at age 62 and then switching to full survivor benefits at FRA (if higher). Alternatively, if her own benefits are higher than the survivor benefits, she could collect her reduced survivor benefits as early as age 60 and then switch to her own benefits at a later age, probably age 70. Since you can only receive one set of benefits at a time, it may make sense to claim one of the benefits early, even if at a reduced rate, to enable the other benefits to continue to increase. This strategy (claiming one set of benefits to allow another to grow) is applicable when both spouses are alive as well, so couples can and should be strategic about when they claim.

Making the best choice for you

Your decision about when and whether to claim survivor benefits will ultimately depend on your needs and your situation. As with many aspects of a financial plan, the choices you make early on can affect your options down the road.

Planning how to claim your Social Security benefits as a couple allows you to provide a surviving spouse with better options later. By understanding the trade-offs and complicating factors involved, you can implement a more thoughtful claiming strategy that makes the most of the benefits available to you both.

[1] For most individuals, your FRA for survivor benefits is the same as your FRA for your own benefits. However, for those born between 1955 and 1961, your FRA for survivor benefits is between 2 and 4 months prior to your FRA for your own benefits. For simplicity, throughout this article, FRA will refer to FRA for survivor benefits (unless otherwise noted). For details on your FRA for your own benefits, visit: ssa.gov/oact/progdata/nra.html. For details on your FRA for survivor benefits, visit: ssa.gov/benefits/survivors/survivorchartred.html.

[2] In most cases, a surviving spouse cannot claim survivor benefits before they turn age 60—2 years younger than eligibility for their own benefits. However, survivors who are disabled, have minor children, or care for children with disabilities may have the option to claim before they turn 60.

[3] In the year an individual reaches FRA, a separate AET applies. Benefits may be reduced by $1 for every $3 of earned income above $56,520 in 2023.

[4] Susan's FRA is 67 for both her own and her survivor benefits.

[5] The reduction would be 8.14% (2/7 x 28.5%) because she claimed her survivor benefits 2 years before her FRA and there are 7 years between age 60 and her FRA of 67.

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