

RetireAHEAD™

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Why it makes sense to put Social Security on hold



By Jeffrey Steele

The age at which the higher-earning spouse begins claiming benefits can have a big impact on a surviving spouse's financial future.

The reason? Social Security's survivor benefit makes it possible for the surviving spouse to claim the deceased spouse's benefit. A surviving spouse can receive 100% of the late spouse's benefit if the survivor has reached full retirement age. But it will be lower if the late spouse had claimed benefits before reaching FRA.

Also, surviving spouses who have been paying into Social Security are still entitled to it, but they can't get widow's benefits and their own Social Security at

the same time. They will get the greater of these. Those who are eligible for both may have to figure out which of these options makes sense long term.

It's imperative for couples to discuss when to claim so that a survivor gets as much financial help as possible down the road.

"There are so many factors to take into consideration when determining when to commence Social Security," says attorney and author Neel Shah, a financial adviser and the owner of Beacon Wealth Solutions in Monroe, New Jersey. "Choosing the wrong age can have a dramatic impact for the retired couple and the surviving spouse."

The key point is that each year a retiree delays taking Social Security, the benefit increases 7.3%,

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up to a certain point. Thus, if the higher earner can hold off on taking benefits, he or she can ensure his or her spouse will have a richer Social Security benefit stream, notes the Squared Away Blog from the Center for Retirement Research at Boston College.

Despite this fact, research has shown that many higher-earning spouses don't delay claiming Social Security. An October 2018 study by researchers at the Center for Retirement Research at Boston College found that many husbands were unwilling to delay claiming benefits, even when shown what a difference it would make for their spouses after their deaths. Men tend to earn higher salaries than women and they typically don't live as long as women do.

Researchers displayed Social Security's benefit information in three ways to the men, who ranged in age from 45 to 62. Based on financial data for married men who had retired, the researchers estimated that an average widow's total income drops 35% when a husband dies.

"Regardless of the way the survivor benefits were displayed, the men weren't persuaded to postpone their own benefits to one day help their widows," a summary of the study said.

Of course, there are many reasons a spouse may decide to not delay Social Security payments, notes Joel Eskovitz, senior policy adviser with the AARP Public Policy Institute in



"Choosing the wrong age (to claim Social Security) can have a dramatic impact for the retired couple and the surviving spouse."

Washington. Two common reasons are being jobless and needing income now and expecting to die early.

"And sometimes they say, 'I can get my benefits now and I should,' without considering the effect" on both themselves and their spouses, Eskovitz says.

There are several things to consider when deciding when to start taking Social Security.

One such issue is the availability of a pension. Does one spouse have a work-related pension that will it continue to benefit the spouse after the recipient dies?

If the pension will not benefit the survivor, "there's a good chance

that the surviving spouse may suffer from income shortfall when becoming a widow/widower," Shah says.

Another issue is whether funds exist in an IRA, 401(k) or other tax-advantaged retirement savings accounts that can compensate for loss of income elsewhere. If such funds exist, Shaw advises investing them to ensure capital preservation.

One consideration often overlooked is how a spouse's death affects the tax situation of the surviving spouse.

"Remember that a widow or widower will be moving from a married tax filer status to a single tax filer status," Shah says. "While income

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numbers may stay consistent, the tax bill may be higher, resulting in less-than-expected net income.”

Proactive planning could call for diversifying income sources to reduce the tax impact. One such strategy might be converting traditional IRAs to Roth IRAs, he says.

The need for the higher-earning spouse to delay claiming Social Security is a more serious concern when a comparatively large inequity exists between the spouses’ benefits, Eskovitz says. That is typical with a husband who logged four or five decades of work, and a wife who left work for years to care for the couple’s children.

“There are folks for whom this is something of a non-issue, because their work incomes were roughly the same,” he adds. “As women take a larger role in the workforce, this won’t be as big a factor going forward.” ➤



The downsizing **debate**

How to overcome disagreements with spouse about moving on

By Kathleen Furore

The kids are gone, their bedrooms used only when they come home for college break or visit on a weekend.

The dining room hasn’t been used for a family dinner in months.

And the basement rec room — once the scene of birthday parties and teen sleepovers — has gone radio silent.

It only makes sense to move to smaller quarters, right?

You’re ready, but your spouse says, “Not so fast!” What do you do?

“I’ve done five years of research on this topic and have many stories to tell ... because Boomers retiring is a phenomenon,” says Rita Wilkins,

known as The Downsizing Designer and the author of “Downsize Your Life: Upgrade Your Lifestyle.”

As a designer, Wilkins, who downsized from a 5,000-square-foot home to an 867-square-foot apartment, says she’s often the middleman when clients can’t agree on whether to trade in their family home for a smaller space.

So how does a decision that seems so simple become such a dilemma?

According to Wilkins, the denial about aging is a common thread that runs through situations involving downsizing.

“We’re aging, facing our own mortality, seeing things like stairs as potential limitations,” she says. When one spouse is in denial, the problems are pronounced.

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