



FINLEY
WEALTH MANAGEMENT

Finley Financial Ed Series



When Divorce and Retirement Collide:
SOCIAL SECURITY



FINLEY
WEALTH MANAGEMENT

As you enter into this new phase of your life of independence, there are financial implications which may be concerning you. Divorce hits hard in many domains, and finances are not spared; those changes could impact you on a daily basis.

In this special report, we will show you specifically how to determine the effects divorce could have on your social security benefits. There are a number of factors the U.S. Government takes into account when calculating the amount of retirement earnings you'll be receiving post divorce. So follow along as we outline the nuts and bolts for you and provide some case scenarios of other women who have gone through divorce and what they did to take care of themselves during the transition.

As disorienting as it is to endure the loss of a spouse, it is critical that you stay clear about the implications on your financial life in order to preserve and nurture the resources you have.



Benefits in a nutshell:



- ✓ If you are receiving benefits based on your own earnings record, your benefits will not be affected. Cross this concern off your list!
- ✓ If you are receiving benefits based on your spouse's earnings record, your benefits **MAY** be affected. Read on to learn how.

Eligibility for benefits:

There are three key factors which must be in place in order for you to claim benefits based on your spouse's earnings: First, you must be at least 62. Next, you must be unmarried OR taking care of your ex-spouse's qualifying child. Finally, you must have been married at least 10 years before your divorce was final.

Overview of benefit calculation:

If all three of the eligibility factors above are in place, the following formula will help you calculate your benefits:

$$\text{Your spouse's full retirement amount} \div 2 = \text{your benefit amount}$$

In general, your benefit as a divorced spouse is equal to one-half of your ex-spouse's full retirement amount if you start receiving benefits at your full retirement age. While you can opt to take a reduced benefit prior to your full retirement age, you will receive substantially less in monthly benefits than if you waited. And so, it is possible that after your divorce, you could receive a higher monthly benefit based on your ex-spouse's earnings record.



1 A "qualifying child" is a child who is under 16 OR who receives Social Security disability benefits.

2 <http://www.ssa.gov/retirement/ageincrease.htm>



When the usual rules don't apply:

Below are some of the exceptions to receiving benefits based on your spouse's earnings record.

- ✓ If your ex-spouse dies, you can get the same benefits as a widow. As with benefits based on a living ex-spouse, your receiving benefits will not affect other survivors' benefits on the earnings record of the deceased. In addition:
 - ✓ If you choose to remarry after you have reached age 60, the remarriage will not affect your eligibility for survivors' benefits.
 - ✓ If you are caring for your deceased former spouse's child, you will still receive the benefit.
 - The 10-year marriage rule does not apply to you if you're caring for your former spouse's child, so you do qualify to receive benefits. In this particular case, the benefits you receive on the child's behalf will affect the amount of the benefits of others on the ex-spouse's record.
 - ✓ If you are a widow or widower, you may qualify to receive 100% of your ex-spouse's full retirement amount.
 - The marriage must have lasted at least nine months.
 - You must be at least 60 years old (or disabled and 50+ years).
 - You must not have remarried unless you remarried after reaching age 60.
 - Your spouse must have been fully insured at the time of their death.
 - ✓ Even if you remarried, you may qualify to receive benefits on the prior spouse's earnings record.
 - If you entered into a second or subsequent marriage, you generally will not qualify to collect retirement benefits based on your ex-spouse's earnings record.

A word on delayed retirement credits

If you can afford to hold off on claiming benefits for awhile, you will be rewarded with greater benefit amounts down the road. Delayed Retirement Credits increase Social Security benefits if you delay your retirement beyond full retirement age, up to age 70.

If you are claiming benefits based on your spouse's earnings, you will not receive benefits from any delayed retirement credits that your ex-spouse may receive.

Your birth year	Yearly rate of increase	Monthly rate of increase
1933-1934	5.5%	11/24 of 1%
1935-1936	6%	1/2 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8%	2/3 of 1%

Source: <http://www.ssa.gov/retire2/delayret.htm>

Note:

If you were born Jan 1, you should refer to the rate of increase for the previous year.



- If you are unmarried—but your subsequent marriage ended by divorce, death of your spouse, or annulment—you can still qualify for benefits.

If your ex-spouse is remarried and the two of you have been divorced for at least two years, these standard calculations apply. His new marriage will have no bearing on your qualification for spousal benefits, and the amount of benefits you receive will have no effect on the amount of benefits he, or his current spouse, may receive. Further, your ex-spouse must be entitled to Social Security retirement benefits, but they do not have to apply for retirement benefits in order for you to qualify for them.

In general, if you are eligible for retirement benefits on your own earnings record, you will receive that amount first. However if the benefit on your ex-spouse's earnings record is a higher amount, you will get a combination of benefits that equals that higher amount. Remember however, this amount will be reduced if you have not reached *full retirement age*.

Normal Retirement Age

The normal retirement age (NRA) is the age at which retirement benefits (before rounding) are equal to the “primary insurance amount.” The table below shows how NRA varies by year of birth for retirees.

Year of birth	Age
1937 and prior	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Note:

People born on January 1 of any year should refer to the normal retirement age for the previous year.

For the purpose of determining benefit reductions for early retirement, widows and widowers whose entitlement is based on having attained age 60 should add 2 years to the year of birth as shown on the table.



Decisions, decisions.

Once you reach full retirement age and are eligible for an ex-spouse's benefit as well as your own retirement benefit, you have a choice. This is where some planning can make a substantial difference in your lifetime benefits received.

Recommendation

Strategy Recommendation

Social Security benefits involve different choices for timings and scopes of applications that affect the benefit you will actually receive from the SSA. Below you may choose the filing method and timing that is right for you.

Strategy: Current At Age 70
[+ Create New Strategy](#)

Joan

Full Retirement Age: 66 years, 0 months

Filing Method: Normal Normal

Age Retirement Benefits will begin: Enter Your Own Enter Your Own

Enter Age: 65 70 | yrs | 0 | mos

Joan

First Year Benefit (in current dollars)	\$25,152	\$35,154
Total Lifetime Benefits (in current dollars)	\$704,258	\$808,535

This screen shows you two strategies claiming at Joan's current age of 65 and waiting until age 70 to claim.

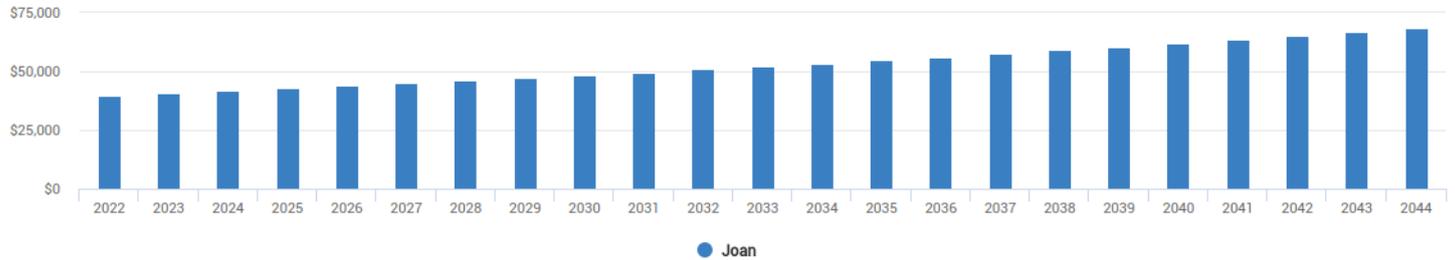


- 1
- About You ▾
- 2
- Benefits ▾
- 3
- Strategy ▾
- 4
- Results ▾

Results

[Create Report](#)

Yearly Benefits Summary



Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Ages/Event	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86
Joan	\$39,773	\$40,768	\$41,787	\$42,831	\$43,902	\$45,000	\$46,125	\$47,278	\$48,460	\$49,671	\$50,913	\$52,186	\$53,491	\$54,828	\$56,198	\$57,603	\$59,044

This screen shows you the option that offers you the highest lifetime payout total, based on your initial choices.

An inexperienced advisor may stop here but that would be a mistake.

- 1
- About You ▾
- 2
- Benefits ▾
- 3
- Strategy ▾
- 4
- Results ▾

Social Security Analysis

Social Security Strategy	1	2	3	4	5	6
	Strategy Used in Scenario	As Soon As Possible	At Retirement	At FRA	At Age 70	Maximized Benefit Strategy
Start age Joan	70	65	65	66	70	70
First year benefit Joan	\$35,154	\$25,152	\$25,152	\$26,632	\$35,154	\$16,727
Total lifetime benefit (in current dollars)	\$808,535	\$704,258	\$704,258	\$719,053	\$808,535	\$875,443
Break Even Point Joan	80	N/A	N/A	80	80	75
	Detail	Detail	Detail	Detail	Detail	Detail

Maximized Strategy

Joan

Full Retirement Age: 66

Filing Method: **Restricted Application**

Age to File Restricted Application: 66

Age Retirement Benefits Begin: 70

Executive Summary

Personal Information

- Your Full Retirement Age (FRA) is the age when you would receive 100% of your Primary Insurance Amount (PIA). Depending on the year you were born your FRA is between 65-67 years old. Taking benefits before or after your FRA will decrease or increase the amount you receive, respectively.
- Joan's FRA is 66 years and 0 months in 2018
- Your Primary Benefit Amount (PIA) is the amount you would receive if you began benefits at your Full Retirement Age (FRA). It is calculated from the earning on which you paid Social Security taxes, throughout your life.
- Joan's estimated annual PIA is \$26,632.
- Joan is eligible to receive ex-spousal benefits. Joan's ex-spouse's annual PIA is \$33,454.

Strategy Information

- Joan files a restricted application at age 66 on her ex-spouse's earnings and a normal application at age 70 in 2022 on her own earnings.
- Using this strategy, your household's total lifetime benefits is estimated to be \$808,535 in today's dollars, based upon the information you entered. For a better estimate go to ssa.gov.



If you qualify choose to receive the ex-spouse's benefits and delay receiving your retirement benefits until a higher benefit can be received based on the effect of Delayed Retirement Credits. If you keep working while receiving your ex-spouse's benefits, the retirement benefit earnings limit comes into play. The Social Security Administration's earnings test calculator will show you how your earnings affect your benefit payments. In general if you receive a pension from government or foreign work not covered by Social Security, your Social Security benefit on your ex-spouse's earnings record may be affected.

Your decision regarding when to start receiving your Social Security benefits is highly personal and depends on a number of factors including your health and family longevity, whether you plan to work in retirement, whether you have other retirement income sources as well as your anticipated financial needs and obligations.

Still have questions?

Contact us any time at 239-267-7500, and we'll discuss your particular situation. Our goal is to advise you in the direction of your Best Life as you move through this transition. Why go it alone when we're here to help?

Note:

If you were born before January 2, 1954 and have already reached full retirement age, you can choose to receive only the divorced spouse's benefit and delay receiving your retirement benefit until a later date. If your birthday is January 2, 1954 or later, the option to take only one benefit at full retirement age no longer exists. If you file for one benefit, you will be effectively filing for all retirement or spousal benefits.





Case Example:

John, 60, and Mary, 57, were divorced several years after 19 years of marriage. Upon meeting with Mary, we realized that she felt very insecure about her financial future. Mary and John had agreed that Mary would stay at home to raise their three children rather than pursuing a career. John did not have a pension from his employer, so Mary feared that she would not receive any retirement income benefits.

She received a \$800,000 settlement from the divorce in lieu of alimony. She was accustomed to living a modest lifestyle and did not want that to change. Her budget suggested that she would need \$40,000 a year in today's dollars to meet her needs. She has taken a job where she would earn \$30,000 per year and she expects to maintain it beyond her full retirement age.

We proceeded with a Retirement Lifestyle Analysis to determine if in fact there was a basis for her concern. When presenting our results, we first gave Mary the good news: Despite the fact that she had not previously been employed, she would be able to collect Social Security benefits. Because she had been married for over 10 years and did not plan on remarrying, she would be eligible to receive benefits under her ex-spouse's earnings record. Mary will be eligible to receive 50% of her ex-spouse's income benefit which is currently \$1,321/month or \$15,852/year. Mary will supplement her earnings from her investment account for 10 years until she is eligible for full Social Security retirement benefits. Once she reaches her full retirement age, she will claim on her ex-spouse's Social Security benefit and stop taking withdrawals from her investment account until she decides to quit working.

Mary left with a plan and a new sense of empowerment.

