

NATIONWIDE RETIREMENT INSTITUTE®

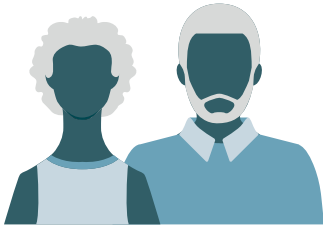
Social Security planning for two

Incorporating spousal, divorce and survivor benefits into your plan



of retirees say they filed at a particular age at least in part based on a spouse or partner's claiming decision.¹

¹ LIMRA Sources of Retirement Income (2018).



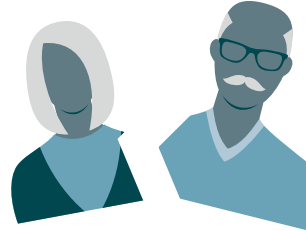
Benefits for couples

Members of a couple have the option to file based on their own work record or their spouse's.

- Up to 50% of a spouse's Primary Insurance Amount (PIA)*
- Eligible at 62
- Married at least one year
- One spouse must have filed for the other to claim spousal benefits

**PIA is the monthly benefit someone is entitled to at their Full Retirement Age (FRA).*

Nearly 2.3 million Americans claim spousal benefits, creating a larger benefit than they would receive based on their own work record.²



Benefits for divorcees

It's important to know that Social Security provides benefits to ex-spouses too.

- Up to 50% of ex-spouse's PIA
- Eligible at 62
- Married at least 10 years
- Currently unmarried
- If divorce is within the past two years, your ex-spouse must have filed; if divorce is beyond two years, your ex-spouse does not have to have filed
- Divorcees may also claim survivor benefits

The **divorce rate** for couples age 50+ **doubled** since the 1990s.³

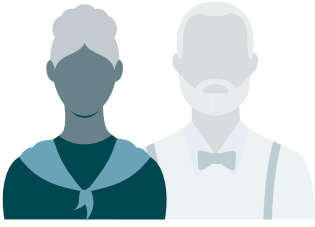
Key considerations

- Spousal benefits could substantially increase your Social Security income if:
 - Either you or your spouse don't work
 - Either you or your spouse have a limited work history
 - There's a large difference between your career earnings
- If you or your spouse were born on or before January 1, 1954, you may be able to file a restricted application, allowing spousal benefits to be claimed while your own benefit grows larger to be used sometime later
- Planning for survivor benefits is important because you and your spouse's filing decisions may significantly impact the income available for the surviving spouse

These key considerations apply to both currently married spouses and divorced ex-spouses.

² Social Security Administration, Social Security Beneficiary Statistics (2021).

³ "Gray Divorce Rates Are Exploding Due to This Perfect Storm," Kiplinger (April 2021).



Benefits for survivors (widows and widowers)

When a spouse or ex-spouse passes away, the surviving spouse can claim the higher monthly benefit for the rest of their life. Whether you're married, divorced or widowed, it's important to understand and consider survivor benefits within your overall filing strategy.

- Up to 100% of spouse's PIA, plus any delayed retirement credits earned
- Eligible at 60*
- Married at least nine months
- Currently widowed or remarried after age 60
- Survivor benefits can be received independently of individual benefits

**There are exceptions where a survivor can receive benefits younger than 60 (these can be found at ssa.gov).*

For married couples, there is a

50% chance
one spouse will reach
age 92.³

Key considerations

- When the higher earner delays until age 70 to maximize benefits, they are also maximizing the couple's survivor benefit
- If you are widowed and have not yet filed, you may collect your survivor benefit now, then switch to your own benefit later—or collect your own benefit now, then switch to the survivor benefit later—whichever strategy creates the higher benefit
- If you are widowed, and both you and your deceased spouse already filed, the higher benefit becomes the survivor benefit, and the lower benefit is stopped

³American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, longevityillustrator.org/ (accessed March 31, 2021). This assumes average-rated health for each spouse.



Let's look at an example

Jim and Linda, a married couple, are comparing three filing decisions to see how each would impact their retirement.

- Jim was born 12/15/1955 and Linda was born 6/1/1959 (65 and 61 years old, respectively, at the beginning of 2021)
- Jim's PIA is \$2,300 and Linda's PIA is \$1,600
- Assumes a life expectancy of 86 for Jim and 89 for Linda, with an annual cost of living adjustment of 2.4%



Strategy	Survivor benefits in retirement	Increase in total benefits vs. filing as soon as possible
1 Maximize benefits	\$405,535	\$85,950
2 Both file at FRA	\$310,338	\$24,190
3 Both file as soon as possible	\$296,558	—

This example is for illustrative purposes only and individual results will vary.

The importance of having a plan

When and how you file for Social Security can significantly impact your retirement income.

1

Maximize benefits strategy

- By delaying until 70, Jim also maximizes the survivor benefit, which Linda inherits upon his passing
- This strategy creates the largest overall benefit, the largest benefit on Jim's record and the highest survivor benefit
- It earns Linda the highest benefit on her own record of the three strategies

2

File at FRA strategy

- The strategy where both Jim and Linda file at their FRAs ensures they do not take reduced benefits (less than 100% of their PIAs)
- This strategy results in about \$95,000 less in survivor benefits for Linda
- This strategy also earns about \$60,000 less in total lifetime benefits than the optimized strategy

3

File as soon as possible strategy

- The strategy where both Jim and Linda file as soon as possible creates the lowest overall benefit; due to filing before their FRAs, they both receive reduced benefits throughout retirement

Social Security rules and decisions are complex. These are just three of the nearly one hundred filing options Jim and Linda could explore. Your unique situation and retirement needs should help inform and guide your filing decision.



Clients

Talk to your financial professional to better understand these benefits and how they should be considered in your Social Security planning.



Financial professionals

For more resources, including a tool that calculates spousal, divorce and survivor benefits, contact your wholesaler or the Retirement Institute Planning Team at 1-877-245-0763.



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