

SCS Connection

Southern Capital Services, Inc.

Do You Know About Social Security Spousal and Survivor Benefits?

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Monthly Connection:

- Highlights of recent Social Security seminar
- Advisors Private Wealth Trust

Retirement is like a long vacation in Las Vegas. The goal is to enjoy it the fullest, but not so fully that you run out of money!

Jonathan Clements

Last month we hosted a seminar on maximizing your Social Security benefits. Not everyone who wanted to attend was able to, so we decided to share some highlights here, especially as they relate to spousal and survivor benefits.

Longer Lifespan Affects Selection

Social Security is a very important topic within the context of retirement planning since people are living longer and the Baby Boomer generation is reaching retirement age. Statistics show that for a married couple with each spouse age 65, there is a 50% probability that at least one will live into their 90s. This increased longevity makes your Social Security benefit election extremely important because once you make the decision, you are generally locked in. (There is one exception to this that will be described below.)

Before any benefit selections are made, it is good to know the level of benefits you are able to receive. As of March 2011, the Social Security Administration stopped mailing annual statements to those under age 60. Instead, they are now available online. We recommend you review a copy of your earnings history to make sure it is accurate. If you see an inaccuracy, you only have a little more than three years to correct it and will need a W2 or tax return from the year in question to verify the correct earnings number.

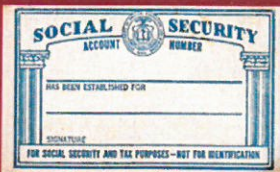
Once you are satisfied that your earnings history is accurate, you can look at when to start receiving benefits. You are eligible for reduced benefits starting at age 62, full benefits at full

retirement age, and added benefits from full retirement age until age 70. Full retirement age is figured on a sliding scale from the year of your birth. For those born in 1937 and before, it is age 65. For those born between 1943 and 1954 it is age 66. For those born after 1960, it is age 67. For those born between the years cited, it is somewhere in between, e.g. 1957 is 66.5.

Factors you should consider when deciding when to start receiving benefits include your work status, expected longevity, and your spouse's potential benefits. If you start drawing benefits early, you will receive a reduced benefit, and if you continue to work while drawing reduced benefits, it will be reduced further based upon your earnings level. Therefore, if you plan to keep working beyond age 62, it may not make sense to draw early benefits. In fact, 74% of all Americans who are currently receiving Social Security benefits are getting a reduced benefit from what they otherwise could receive.

Spousal Benefits

Many of the calculations for deciding when to draw Social Security benefits for a single individual are pretty straightforward, but complexities emerge when thinking about spousal benefits. Even more complexities arise when a divorced spouse is taken into consideration. A divorced spouse may file to collect spousal benefits if he or she was married for at least ten years and is currently single. Like individual benefits, spousal benefits are reduced prior to full retirement age, but after full retirement



Social Security *(continued)*

age, unlike individual benefits, they will not increase through age 70.

An important point to keep in mind is that spousal benefits are netted against your own individual benefit once you begin to draw them. The two amounts are not combined. A common misperception is that spousal benefits diminish the benefit for the other spouse, but this is not true. Spousal benefits are independent of the higher earning spouse's benefit.

Another critical point is that you cannot start drawing spousal benefits until your spouse at least files to draw his or her own Social Security benefits. Filing for benefits however, does not mean that your spouse has to collect benefits. There is a mechanism whereby a working individual can file and suspend, or defer his or her benefits until later. But the very act of filing can trigger the spouse to start receiving spousal benefits.

Survivor Benefits

One last topic to touch on is survivor benefits. According to the people at BlackRock Funds who have developed special expertise with Social Security, 50% of all women currently receiving Social Security benefits are receiving some type of survivor benefit. A critical factor to keep in mind is that the decision when to begin drawing Social Security benefits affects the surviving

spouse. For example, if you choose to receive a reduced benefit at age 62, your surviving spouse will collect a reduced survivor benefit, thus the longevity of both partners needs to be taken into account when selecting when to receive Social Security.

If you have recently started to take Social Security benefits and think you have made a mistake, it might not be too late. As of December 2010, the Social Security Administration allows a one-time and one-time only opportunity to stop receiving benefits if you have been receiving them for less than 12 months. There is a request form you can file that if accepted, along with paying back all benefits received to date, will reset your election so that you can make it again at a later date. This could be an advantage for someone who has filed for reduced benefits, or gone back to work and doesn't need to receive benefits now.

As you can see there is much complexity, and we have not begun to cover all the possible variations. We have only covered general topics; individual situations will vary. If you have not yet started to draw Social Security, we would be happy to go over your earnings history with you and discuss your alternatives at your next client review. Please contact us in advance with

your specific Social Security questions; we will be happy to get answers for you.

The so-called three legs of the retirement stool are Social Security, pension plans through your employer, and personal savings/investing. Most companies no longer offer pension plans, so the other two legs take on added importance. With people living longer, it is more important than ever to get the most possible out of your personal savings and Social Security benefits for you and your spouse.



If you have a trust or are named as a trustee to a trust, you may want to read this.

Do you or someone you know have or plan to have a trust that names a professional corporate trustee such a local or regional bank? If you do but would prefer to maintain your personal relationship with Southern Capital Services rather than a bank there may now be a solution available to you.

Through a strategic alliance TD Ameritrade Institutional recently launched a corporate trustee services solution to support the fiduciary needs of clients who wish to maintain their professional relationship with a Registered Investment Advisor such a Southern Capital Services.

We have included a brochure with this newsletter that highlights the benefits of this type of service. We do not benefit monetarily from a client's usage of this service but offer it instead as one of the many value added services we are able to offer our clients.

Please read on to learn more
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