T. Rowe Price

CONFIDENT CONVERSATIONS® on Retirement: Don't Miss Out: Unlock the Power of Your Social Security Benefits

Kim Zook: Welcome to T. Rowe Price's CONFIDENT CONVERSATIONS® on Retirement. My name is Kim Zook, and I'm excited to be your host. As a person who is naturally curious, I've dedicated my career to lifelong learning and asking the right questions to help people successfully prepare for retirement. My colleagues joining me today are financial professionals who also help people on their retirement journey, whether they are planning for retirement or are already in it.

Today's episode is about the power of Social Security benefits. We hope to provide the details you need to help you make informed decisions, not to pile up every fact and nuance. Our goal is just to help you navigate the sea of information and understand the options that may apply to you and your unique circumstances. With me today to discuss this topic, are CERTIFIED FINANCIAL PLANNER™ professionals, Stuart Ritter and Lindsay Theodore.

Welcome to the show, Stuart and Lindsay.

Stuart Ritter: Thanks for having me.

Lindsay Theodore: Pleasure to be here.

Kim Zook: I'm thrilled to have you. Let's start with a broad question. Why is understanding Social Security so crucial for retirees? Stuart?

Stuart Ritter: Social Security is a fundamental component of retirement income for almost every American. But despite that, only about 20% of workers, one out of five, say that they understand Social Security very well. And 90% of retirees begin their Social Security benefits before they could get the maximum, the one they would get at age 70. Now, this lack of understanding can significantly impact their financial well-being during retirement. Especially if they take that payment that's lower than what they could have had.

Now, this knowledge gap is getting in the way of people addressing the feelings they have about Social Security. I hear a variety of comments about it, like "I'm concerned about outliving my money," "I've worked since I was 16. I'm retiring at 62 and taking my Social Security no matter what," or "we don't know when to start Social Security or even how to decide." And the big one is "I don't want to make a mistake when it comes to my Social Security decisions." These feelings are completely understandable. Many of our listeners may have the same anxiety or concerns.

Lindsay Theodore: Right. So our goal today is to help listeners experience some positive feelings, some positive vibes so that they'll walk away with greater confidence in tackling that decision. Like, you get it, you understand a bit more about how Social Security works. You know what your choices are. You can take the next step and you know what that is or at least you're closer to knowing what that is.

Kim Zook: So let's go a little bit deeper and tackle a few common misconceptions. Stuart, can we start with you?

Stuart Ritter: Sure. The first common misconception is that Social Security is somehow going completely away and payments will stop. We've all seen the headlines, and many believe that Social Security is simply going to stop sending payments one day. So let me reassure everybody - that is not the case, in literally any scenario. Remember, these headlines are meant to get your attention. But when you dig deeper into the structure of how Social Security is actually funded, payments are not going to stop and you'll understand that. Here's why. Since Social Security was first created, every pay day, money from workers' paychecks flows into the Social Security system. I'm sure you've noticed this on your pay stub. Then essentially, it immediately goes right back out again as payments to retirees. So it's not as if there's an individual account with someone's name on it that might disappear. Money comes in and it goes out. That's not changing.

Lindsay Theodore: Right. And you may have heard, though, also about a reduction in benefits that may be coming within about ten years, Congress will have to act in order to shore up the system a little bit, because it is looking like we're on a trajectory where the money coming in will not be able to pay all the benefits that have been promised. And the extra money set aside by Social Security, called the Social Security Trust Fund, could run out. And so those shortfalls really make a difference when we don't have any money in the trust fund. But there are many proposals on the table that will help to address these issues and shore up the system. And it is highly unlikely that any changes that are enacted to shore it up are going to affect people who have paid into the system for many, many years and are close to claiming their benefits. It may affect people like my daughter, who's nine, and it might affect me, but, you know, it's not going to affect people who are counting on those benefits very shortly.

Stuart Ritter: And we've reached these tipping points before. The last time the Trust Fund was going to be used up, Legislation was passed and signed into law to prevent that from happening three months before it was supposed to happen. So, as you pointed out, Lindsay, it might be ten years before we get to that point and something happens.

Lindsay Theodore: Right. I mean, I hope it happens before then, of course.

Stuart Ritter: Of course.

Lindsay Theodore: The other thing is most seniors spend their Social Security and that's, I think it was close to $1.2 trillion last year. And that is a lot of spending that goes into our economy. So Congress does have an incentive to make sure that people are getting their paychecks, right? From Social Security.

Kim Zook: Well, that seems like really good news and quite a relief. I think for our listeners, I appreciate you all sharing that with us. That is a common misconception. And I like the way that you painted the picture, Stuart, that it is a money going in and out, and there is not just one, pile of money going away. So thank you for that. I'd like to ask, what's another misconception or common misconception?

Stuart Ritter: Another thing that I hear fairly frequently is that Social Security payments begin right after you retire from working. Either somehow automatically, like your employer tells the Social Security Administration, or a lot of people have their Social Security payments start when they retire because they think that's what they're supposed to do. And one of the things we hope you take away from this episode is that retiring, whatever that means to you, and starting Social Security payments are two separate events. They're two different decisions, and they do not have to happen at the same time. And the first reason is that “retirement” - can you see my air quotes? - means different things to different people.

Lindsay Theodore: Exactly, Stuart. Retire could mean that you stopped working full time at your current job. Maybe you go part time, or you do some contracting work, or you stop working, but your spouse continues, so you don't need the income. So for many people there's no single definitive date where you report to Social Security “I'm retired.” The only thing you report to Social Security is “I'm ready to claim.” And those are two separate decisions.

Stuart Ritter: Right. And the second reason involves financial factors. Its certainly understandable why people might mentally connect the two events. They think “if my employment income is stopping, I need something else to replace it, so I start Social Security,” but that isn't your only option. As Lindsay mentioned, you may still have a part-time salary coming in. You also almost definitely have money saved for retirement, and retirement is when you start spending it. As we'll see, your decision about when to start your Social Security payments has implications far beyond what happens to you the day you “retire”. It's important to keep your overall retirement income strategy in mind when you make that decision, not just for today, but for the potential decades you'll be spending in retirement. And one reason to do so might be to get a higher Social Security benefit by waiting to start your payments and using other income early in retirement. On average, according to the 2024 Employee Benefits Research Institute Retirement Confidence Survey, retirees started their Social Security payments two years after they said they retired. This is why we wanted to highlight the fact that these two events are not the same thing.

Kim Zook: Interesting. In the conversations with family and friends, I do think people tend to link those together. So thank you for clarifying. Another thing I've heard confusion about is the term Full Retirement Age. Lindsay, could you shed some light on what that exactly means?

Lindsay Theodore: So full retirement age, also known as FRA, can be a confusing term for sure. Some people think it connects with an action they're supposed to take, like when they're supposed to stop working or start Social Security payments, or the best time to take those payments, similar to when you qualify for Medicare, which is age 65. But it is none of these. Full

Retirement Age is a somewhat arbitrary number set by Congress so that the Social Security Administration can calculate your benefits anyway. Everyone's FRA is somewhere between age 66 and 67. there's not a lot of disparity between people's FRAs, it's just again, used to calculate the benefits.

Kim Zook: Okay. That's very, very helpful. So my FRA is 67. But waiting until 70 is when I can maximize that benefit.

Lindsay Theodore: Yep.

Kim Zook: Okay.

Lindsay Theodore: Highest payment locked in. Inflation adjusted for life.

Kim Zook: Perfect. And thanks to you all, I've looked up my FRA. But how can our listeners, how can they find out what their FRA is? Stuart?

Stuart Ritter: If you go to the Social Security Administration's website, ssa.gov, and log in, you will be able to get your personal Social security statement. Everybody has their own individual Social Security statement. And on that statement there's a box in the upper left-hand corner, it's easy to find, and there you'll see at the beginning of the second paragraph, Social Security tells you what your personal full retirement age is.

Lindsay Theodore: Yes, that's all available online. And in tying these concepts together, we might consider an example. So let's say we have Susan. She's a single career woman. She's worked for nearly 40 years. She plans on retiring from her full-time job when she's 62, because she wants to do more work at her nonprofit where she volunteers. Her FRA is 66, but she doesn't have to start her Social Security payments when she retires from her full-time job and goes into volunteering. Nor does she have to start them at her FRA of 66. She gets to decide, based on her personal situation and other income streams, savings, other work plans, expenses. She gets to decide when she makes that claiming decision, just as you do.

Kim Zook: Great. Thank you Stuart and Lindsay. Hopefully this discussion has helped our listeners move beyond the misconceptions of Social Security going away. It's not. That retirement and starting payments are the same thing. They aren't. And Full Retirement Age is a time when you're supposed to do something. It isn't. So what should they be focusing on instead now that we've cleared that up?

Stuart Ritter: Timing. Deciding when to begin your Social Security payments. And here's why that decision is so important. To a large degree, the timing of when to start your Social Security benefits is the only choice you get to make. You don't get to pick whatever Full Retirement Age is assigned to you. Congress did that. You don't have input on the formula that Social Security uses for their calculations. That was already set up. What you do control is when you start your payments, and we'll talk about the influence that has when we get to the different benefits that

Social Security offers. We want to ensure that that's the area you're focusing on. When you decide to start your payments is of the utmost important, and we'll touch on it more in the later part of this episode.

Kim Zook: Excellent. It sounds like timing is key. Now let's talk about the different types of retirement benefits that Social Security offers. Lindsay?

Lindsay Theodore: So there are actually three types of retirement benefits that Social Security offers. The one, that everyone is familiar with, is the one that's based on your own earnings record as a worker. There's also one that's based on your spouse's work record or earnings record. That's called a spousal benefit. And then there's a survivor benefit, which you might receive if you were married and your spouse passes away. You are eligible. It's important to note, though, that you can only receive one benefit at a time. So retirement, spousal or survivor. So you can't collect your own, plus your spousal or your own, plus your survivor. Unfortunately, they don't allow that. Essentially, if you qualify for several and you go to claim, for the most part, you'll receive the largest of the benefits to which you're entitled.

Kim Zook: Okay.

Lindsay Theodore: Of those three.

Kim Zook: Very, very helpful. And what are the key things our listeners should know about each of these benefits?

Stuart Ritter: There are three things to focus on with each of these benefits. The first is how do you qualify for the benefit. The second is the payment amount. And the third is the effect of timing - the decision you make about when to tell the Social Security Administration to start your payments. Those three things – qualifying, payment amount and timing – will give you the building blocks you need to start creating the right strategy for your situation.

Kim Zook: I think our audience knows now timing matters. Right

Stuart Ritter: Timing.

Lindsay Theodore: (laughs)

Stuart Ritter: Timing.

Kim Zook: So that was the word of the episode. And in all seriousness, it's very, very critical. It sounds like so thanks.

Lindsay Theodore: It is.

Kim Zook: Well, let's get a little let's, let's go a little bit deeper into how all this works. Lindsay, can you kick us off?

Lindsay Theodore: Sure. So first, a quick reminder to our audience that we're not talking about specifics with a lot of these examples we're giving, we're just trying to convey how these benefits work on a general level. Okay.

So let's start with your own benefit as a worker, though. We refer to you as a worker because to qualify for your benefits on your own earnings record, you must be at least 62 years old, have worked and paid into the social security system for ten years or more. The ten years don't need to be consecutive; you just have to have paid in for a total of ten years. If you have, you qualify for your own worker benefit. If you don't qualify, and we expect that there are people out there in the audience who maybe don't have that ten years, maybe you stayed home to raise the kids or cared for a loved one, a parent, a grandparent. Just bear with us as we go through this, because you'll probably qualify for one of the other two benefits we'll discuss: spousal or survivor.

Kim Zook: Thanks, Lindsay. So how does the Social Security Administration determine the payment amount for the worker benefit? Stuart?

Stuart Ritter: Social Security will look at your highest 35 years of earnings. And again, it doesn't have to be consecutive 35 years. The Social Security Administration picks out your highest earning years, and then they run them through a formula and it comes up with an amount. And one thing I would note here is that if you don't have 35 years of earnings, Social Security will use zeros for any non-earning years.

Kim Zook: Wow. That's powerful information and really good to know. Especially about the zeros.

Lindsay Theodore: Right. So yeah, like so if you had any zeros, or non-earning, years it might make sense to consider working part time or work longer so that you have less zeros and at least some income or potentially higher income if you're in kind of your peak earning years towards the end of your working life.

I can give you an example, and it's actually my sister and her husband. So my brother-in-law, he has his PhD in neuroscience. Pretty smart guy. And when they moved up from Florida to be nearer to family, here in the Mid-Atlantic, he took a couple of years off. And so he was making pretty good income and a couple of years off to help the family get settled and take care of the boys. He's now back at a tech firm, but, and he's earning high income. But those two years could really impact his benefits, even with the higher income. So he might want to work another two years to compensate for that.

And then my sister, his wife, she is a doctor, but she spent her entire 20s as a resident. So even though she didn't have zero years, she had very low years, especially low-income years…

Kim Zook: Right right.

Lindsay Theodore:...for paying into the system. So, I mean, it could benefit her to just work longer and have those all the higher income that she worked so hard to get included in her calculation. And of course, there's the other examples of people who, again, take time out of the workforce to, see their kids through grade school or what have you. So the less zeros you can have, though, the better, because it is an average.

Kim Zook: Thank you. That's really helpful. So, Lindsay, how does timing affect the payment?

Lindsay Theodore: Your monthly payment is based on the age that you choose to start your benefits. Everybody's dollar amounts are going to be different, but the max benefit that you can get based on your earnings record will be available at age 70. And the lowest possible benefit that you can get based on your earnings record, would be at age 62. Okay? So if you collect at 62 and we compare the amount you could have gotten if you had delayed claiming until 70, you could cut your benefit or your payment basically close to half. And that's your starting benefit. And again, it is going to be adjusted for inflation and its lifetime income. But you wouldn't want to cut that lifetime income starting amount to half.

Kim Zook: Wow. That's significant.

Lindsay Theodore: Exactly.

Kim Zook: Okay. So 70. So timing. We started with timing. Now we've got 70. Thanks, Lindsay. Stuart, can you give us an example a little bit more detail on how this might work?

Stuart Ritter: Of course. Let's take Greg, for example. Greg's had a job since he was 16. He's worked full time to put himself through college. He's worked hard to save over the years. Greg's full retirement age is 67, but that's not where his maximum payment is. As Lindsay pointed out, the maximum payment based on his own record is at age 70. So let's say Greg's payment at age 70 is $2,500. That's the maximum he can receive. If he starts his payments earlier, say at his full retirement age of 67, he'd receive $2,000, cutting his benefit to 80% of that maximum. And if he starts his benefits at age 62, the dollar amounts work out that his payment would be $1,400, almost half of that maximum. As Lindsay said earlier, each person's dollar amount will be different, but the percentage reduction is pretty much the same for everybody.

And then the last thing I want to point out that people will often anchor on full retirement age, thinking it has some special meaning for their own worker benefit. I totally get it. The nomenclature makes it sound like it's special, but it isn't. There's nothing magical that suddenly happens to your payments at full retirement age. The maximum worker payment for everyone is at age 70, not at full retirement age, and not in any of the other ages.

Kim Zook: Wow, that's really great information, especially when our audience logs in to look at their own earnings record and statement. It's important they don't stop just at the amount on the FRA but look all the way up that chart to the age 70.

Lindsay Theodore: Mmhmm.

Stuart Ritter: Yes.

Kim Zook: So thank you for that. Let's now turn to spousal benefits. Lindsay how do you qualify for them?

Lindsay Theodore: To qualify for spousal benefits you need to be at least age 62, have been married at least a year, and your spouse needs to have claimed their benefit. Okay?

Kim Zook: Okay.

Lindsay Theodore: So you can only claim a spousal if you meet the other two qualifications and your spouse has already claimed their own benefit on their earnings record. For some couples, a strategy that may make sense is for the lower earning spouse to claim their own worker benefit, so on their record, and then switch to a higher spousal benefit when their spouse, or the higher earning spouse, claims their benefits, hopefully at age 70 to maximize it.

You can also collect benefits on your ex-spouse. So this is called a divorce benefit, sometimes. It’s still considered a spousal benefit, even though you're not married. And when you do collect a spousal divorce benefit, it does not affect the benefits of your ex. You're collecting on them, but it doesn't affect them. Now, you can't claim benefits on multiple exes at once, but one person can have multiple people claiming divorce benefits on them.

Kim Zook: Fascinating.

Lindsay Theodore: Interesting, right?

Kim Zook: Fascinating. Are there specific…there has to be some rules or conditions…?

Lindsay Theodore: You have to have been married for ten years. For someone like for me to claim on an ex, I would have to have been married to that person for ten years.

Kim Zook: Okay

Lindsay Theodore: At least I would have to be at least age 62. They would have to be at least 62.

Kim Zook: Okay.

Lindsay Theodore: Okay. And we have to have been divorced for at least two years. The last one is you cannot be currently married.

Kim Zook: Okay.

Lindsay Theodore: A lot of them here, right?

Kim Zook: So if you can check all five of these boxes you're telling me, then they qualify?

Lindsay Theodore: They do qualify. But you need to call the Social Security Administration to get the details. Your ex might not want to give them to you, and also they might not give you accurate information, so you'd want to call it Social Security and see what the options are.

Kim Zook: Well, well, thank you for that. Lindsay. Now, Stuart, can you help our audience understand if there's a difference between being married to someone and being divorced for this benefit?

Stuart Ritter: Sure. As Lindsay said, it's one benefit. It's a spousal benefit that you can qualify for in one of two ways you can either be married to someone or you could be divorced from someone.

Kim Zook: Okay.

Stuart Ritter: Now, if it's an ex-spouse, they do not have to have started their payments in order for you to qualify for the spousal benefit. They just need to have reached age 62. So you don't have to worry about what they're doing with their Social Security payments. You do not have to talk to them. They know nothing about what you're doing. You call the Social Security Administration. And if that ex-spouse were to start their spousal benefits based on your record, this does not come out of your payments or affect you in any way. What you do doesn't affect them. What they do doesn't affect you. And neither of you is notified of anything the other one is doing. You just ask the Social Security Administration what you're eligible for, and they will tell you.

And keep in mind, most of the time we're using the word spouse, it also applies to you as an ex-spouse, if you qualify. The maximum monthly payment for the spousal benefit is 50% of your spouse's payment at their Full Retirement Age. So that covers how you qualify for the benefit. Next, let's talk about what that payment amount is for the spousal benefit. And the answer is your maximum monthly payment for the spousal benefit is 50% of your spouse's payment at their full retirement age.

Lindsay Theodore: Correct. And so to figure out what that figure is, what that max is, as a spousal benefit, you would have your spouse pull up their Social Security statement. You'll want to look on the statement for where it lists the Full Retirement Age dollar amount that they are eligible to receive based on their current earnings and all that information. And that figure, it could change if they're still working and everything, but it's going to be 50% of that is going to be the max that you can get if you meet the other qualifications, like waiting until your Full Retirement Age to claim that spousal and again, they have to have already claimed their benefit.

Stuart Ritter: Yeah, Lindsay, let me point out that that payment amount at full retirement age is so important, It has a name.

Lindsay Theodore: Right?

Stuart Ritter: And since we are really getting a feel of how complex Social Security can be, I think we should call it PIA. A pain in the…it's a family friendly show, so I'll stop right there. Now, interestingly, the Social Security Administration actually calls the payment amount at Full Retirement Age a PIA. Now it says PIA stands for Primary Insurance Amount. But we can all decide what we think PIA stands for.

[ALL LAUGH]

Stuart Ritter: Now, it is helpful to know that primary insurance amount is the name given to the dollar amount at Full Retirement Age, because you'll see that term used sometimes. And we want to make sure that you know what it is. It's a PIA and 50% of your spouse's PIA is your maximum spousal benefit.

Lindsay Theodore: So one important note: let's say I'm the lower earning spouse and I'm looking at should I claim a spousal benefit. If my PIA is greater than my husband's PIA, greater than 50% of my husband's PIA, If it's greater, I will not qualify for a spousal benefit. And the reason is because when I eventually go to claim my spousal benefit, my benefit that I could receive on my own earnings record is always going to be higher.

Kim Zook: And we always want the higher amount.

Lindsay Theodore: We always want the higher. That's right.

Stuart Ritter: And Social Security will always give you the higher.

Lindsay Theodore: And Social Security we'll make sure that that happens. Exactly.

Kim Zook: Excellent.

Lindsay Theodore: Exactly. Now, on the other hand, if my PIA - primary insurance amount – is less than 50% of my husband's PIA, then I do qualify for a spousal benefit because it will be higher. Okay? But because I'm the lower income earner most likely, or just didn't have as many years in the workforce, I do have the option of claiming my own benefit on my record, perhaps early, 62, or between 62 and 70 and then switching to the higher spousal benefit when my husband claims. Does that make sense?

Kim Zook: Very.

Lindsay Theodore: So I still have to switch to the spousal when he claims, and I can only switch to if it's higher than the benefit I'm receiving, but because my benefits will always be less because my PIA is 50% of his, then, you know, it is an option. They leave that option open to me whereas if my own benefit was higher from the beginning, I wouldn't have the option of switching and I wouldn't want to because I want the higher income, you know? So I know that's confusing. It gets it gets very fancy.

Kim Zook: But this is why you're a financial planner.

Lindsay Theodore: Right.

Kim Zook: And you, how you're helping explain it to our audience to know that Social Security and the financial planners understand all of this and can help educate you.

Lindsay Theodore: Sure.

Kim Zook: When you make that decision.

Lindsay Theodore: And figure out what your options are.

Kim Zook: Great. Stuart, can you give us an example of how this might work in, in, practical terms?

Stuart Ritter: Sure. Let's take, for instance, Cheryl and David. Cheryl and David have been married for 30 years. David worked full time. Cheryl stayed home with the kids. She now volunteers at the local library. Let's talk about how Cheryl's spousal benefit might work. Let's say David's Full Retirement Age payment, his PIA, is $2,000. That makes Cheryl's maximum payment 50% of that, or $1,000. And she's eligible for that $1,000 at her Full Retirement Age. So her maximum benefit of $1,000 is available at her Full Retirement Age, which is different from folks who are looking at their own benefit, where the maximum is at age 70. For the spousal benefit, the maximum is that each individual's Full Retirement Age. If Cheryl decides to start her spousal benefit payment early, let's say at age 63, instead of her Full Retirement Age, she would only get 75% of that $1,000 maximum, or $750 every month, every year for the rest of her life. Again, timing matters.

Lindsay Theodore: Right. And another thing I'd point out is just for any benefit, you're claiming that you qualify for if you collect it earlier, then you're then Full Retirement Age, you're going to be penalized. It's going to be less than the max you could have gotten.

Stuart Ritter: Right.

Lindsay Theodore: That's with your own benefit. That's with survivor benefits. That's with spousal. But we'll get into survivor as well.

Kim Zook: Yeah, that's really, really helpful to know. Regardless of the selection, if you do go early, it is going to be reduced.

Lindsay Theodore: Yeah. Right.

Kim Zook: Great. Thank you. Very helpful. Well, you mentioned survivor. So let's talk about survivor benefits and how do you, how do you qualify for a survivor benefit?

Lindsay Theodore: Yep. So survivor benefit is, again, only available to you when your spouse passes away. Okay. And the requirements are that you need to be at least 60 years old to claim your survivor benefit. You need to have been married for at least nine months, and you need to be currently unmarried when you go to file for that survivor benefit or you can be remarried, but you have to have remarried after 60. I didn't make up the rules. I just recite them.

Stuart Ritter: And that actually is one of those situations where people might make a life decision based on Social Security. If you're thinking about getting remarried and you're 59.5.

Lindsay Theodore: Correct.

Stuart Ritter: You know, waiting the six months.

Lindsay Theodore: You know, it might make sense. Right.

Stuart Ritter: Could make a difference.

Lindsay Theodore: Mmmhmm.

Kim Zook: Well, and I will share, you know from a survivor benefit story, my father passed away at age 58 and my mom didn't know, she was working still, but when she did decide to retire, a friend told her about spousal survivor benefits. So here's my mom, a professional woman, long career woman. A daughter who works in financial services. I don't specialize, I'm not a planner like you all. But the point I bring this up is that an audience member right now who learns this piece of information could share with a friend because it was a friend, a former coworker of my mom's that said, “go talk to Social Security about the spousal benefit as it may be part of a bridge” - or to your point Stuart - it may inform your decision on when to take your benefits.

Lindsay Theodore: That's right.

Kim Zook: So the reason I bring this forward is just to say my mom had a financial planner and Social Security and a friend. And so, all of you audience members, this is great information to share with those you love and care about that may be in this situation.

Stuart Ritter: Absolutely. As Lindsay mentioned earlier, we're talking about Social Security at a general level. We're not talking about all the nuances. The best thing you can do is call Social Security and say, “here's my situation. Help me understand what my options are.” They're not going to tell you which one to choose.

Kim Zook: That's right.

Stuart Ritter: But they will at least tell you what the options are.

Lindsay Theodore: And I think like for survivor benefits, too, because it gets quite complicated all the different scenarios. Like with your mom, if she was widowed, if your dad passed away at 58 and she was widowed before she was 60.

Kim Zook: She was.

Lindsay Theodore: Right, there's a lot. It's complex and there's a lot of planning involved in those decisions. So you do want to call social Security and gather information but then I would really suggest talking to a financial professional too, maybe, you know, to get some insights about the tradeoffs.

Kim Zook: 100%.

Lindsay Theodore: Yeah. But if you check all those boxes, you know, married for nine months, not currently married or remarried after 60, and you are at least age 60, you qualify. So the qualifying age, as you'll note, is 60, for survivor benefits and not 62 as it is for spousal and for your own benefits. Okay. And I guess that's because, you know, the survivor might need the money. The most common scenario as a planner that I faced is where both spouses are over 70 and have collected their benefits.

Kim Zook: Wow. Interesting.

Lindsay Theodore: Again, this is not there are other people who obviously don't, you know, won’t have.

Kim Zook: Yeah, yeah. Interesting.

Lindsay Theodore: But the most common scenario, typically, is that both spouses are collecting benefits when one of the of the spouses passes away and in that case, the higher benefit will remain, but the lower benefit will go away.

Kim Zook: Got it.

Lindsay Theodore: That's another important thing I think folks need to understand is that you only can get one set of benefits at a time, so you can't receive your own and your husband who passed away. You know,

Kim Zook: Can't double dip.

Lindsay Theodore: You can't double dip. That's right.

Kim Zook: And it sounds like in talking about financial planner or Social Security, they're going to help you that while they may not advise you, they're going to inform you of the options, but they're also going to show you what the highest benefit is and the lowest and you can't pull from both. You're going to pull from one.

Lindsay Theodore: It's going to be the equal.

Kim Zook: That's okay. Right. Got it.

Lindsay Theodore: But it will be the higher one. But that's why it's so important for the higher income earner, in many cases, to wait as long as possible because it leaves the most possible options for the survivor, regardless of who that is, you know.

Kim Zook: So back to the timing.

Lindsay Theodore: Back to the timing.

Kim Zook: That's great. I mean, timing, when I think of timing, I think of Stuart. So Stuart,

Stuart Ritter: You bet!

Kim Zook: Let's, let's go back to talk about if it is this critical timing, what if your spouse passes away before you reach your full retirement age?

Stuart Ritter: I'm going to come back and tell a quick story and emphasize something. And then

Kim Zook: Do it.

Stuart Ritter: Then I'll jump into that. And that is, what we've been talking about is the fact that when you make your own decision about when to start your own worker benefit, it doesn't just affect the payment amount you get for your lifetime, it can potentially affect the payment amount your survivor gets for their lifetime. And I can't tell you how many times I've been talking to someone who starts the conversation by saying, “I'm taking it at 62, there's nothing you can say that's going to change my mind.” And when I look at them, I say, okay, just understand “you're cutting your maximum benefit almost in half, and you're cutting the benefit your survivor will receive for their lifetime if they outlive you almost in half.” There's this pause.

Lindsay Theodore: Yep.

Stuart Ritter: The eyes get wide.

Kim Zook: My eyes are wide.

Stuart Ritter: And suddenly someone says, "oh, maybe I ought to think about it." And that's why we're having this conversation. Because very often people don't understand that it's not just in the moment, "here's what I get from Social Security." Things like the survivor benefit and what happens to someone who outlives you if you're married to them and the benefit they get is a really critical part of making these overall decisions.

Lindsay Theodore: Right. Stuart's absolutely right. And I think it makes less of a difference if both spouses worked full time and had similar earnings and they'll have similar benefits, but still, he's exactly right that you have to remember that the choices you make are going to impact your survivor and your loved ones, not just yourself.

Kim Zook: Well, thank you for that's both sides of the equation. Right? Both scenarios. So Stuart, what if your spouse passes away before you reach your Full Retirement Age?

Stuart Ritter: If your spouse passes away before you reach your Full Retirement Age, you can choose to start your survivor benefit before then, as early as age 60, as Lindsay mentioned. But again, as we discussed earlier, you will reduce that maximum survivor benefit amount every month for the rest of your life. And that means depending upon the timing decision you and your spouse make, there could be a double reduction. If your spouse starts their payment before age 70, their payment is reduced and that means your potential survivor payment is reduced and if you start your survivor benefit before your Full Retirement Age, you're now reducing that reduced payment.

I realize we keep using that word a bunch of times, but we do so for a reason. It's important to understand that timing makes a difference: on the payment amount that you might receive, the payment amount that your surviving spouse might receive, and then as the surviving spouse, the payment that you receive.

Let's do an example. I'll pick up from a previous example we had. Sadly, David from our previous example passed away when he was 73 years old. Now he had waited until age 70 to start his Social Security payments, so his actual payment was $2,500. That means Cheryl's survivor payment is based on that $2,500. If she waits until her Full Retirement Age, she gets that full amount. If she starts her payment earlier, let's say at age 64, she would receive about 90% of that. So you can see how David's decision of when to start his payment has an impact. If he had started at age 62, the most Cheryl could receive as a survivor would have been $1,400 a month, instead of the $2,500 a month, even less if she started her survivor payment before her Full Retirement Age.

Kim Zook: Wow. So on a conceptual level, we've covered the three retirement benefits that, there's one, your own or your own worker benefit or what you just covered Stuart and Lindsay on the spousal benefit and the survivor benefit. And we've also talked about how to qualify for each one. So we've covered a lot of ground. How the payment amount is determined and the importance of timing.

What are some of the details and nuances - hang with us audience - because there might be a few new nuances and details that we haven't yet covered. Stuart, anything to share?

Stuart Ritter: Well, there are many questions we have not answered that most listeners probably still have. The big one being, when should I start my Social Security payments? Especially if my decision affects someone else. If I qualify for more than one benefit, usually your own and a spousal benefit, with one of you potentially getting a survivor benefit, when should I start each one?

Lindsay Theodore: Right. No, absolutely. There's definitely a tradeoff for all decisions to get the highest possible payment based on your own record, you would wait till 70, but then you have to consider other factors, maybe longevity. I know that my father did collect early because he had that attitude, "I've been paying in forever. I'm worried about the system. I'm just going to take it." And he did pass away at 76, so he didn't reach his break-even age. That was what he always felt was going to happen. I don't know that he set up my mom the best way, but luckily she worked her entire career and so she's collecting his lower survivor benefit and then she'll switch to her own, she's letting that grow till age 70.

Kim Zook: Okay,

Lindsay Theodore: So and they did receive those payments for many years and dad got to enjoy that money. So a lot of it, we can talk about maximizing benefits all day, but some of it is going to be personal. And that's okay, you just could be leaving money on the table, you know, over the long-term. But if you're comfortable with that, you know, talk it through with a professional, talk it through with your family and definitely your spouse.

I would just also stress, Social Security decisions are very important but they should work within a full financial plan. So taking into account other income sources, how much in assets you have, what your expenses are, what you're going to need to live your lifestyle, those kinds of choices can help to inform the Social Security decision. Hopefully, if you've saved well and you are going to be able and you and you spend within your means, deferring Social Security will make sense for you and it'll mean that over the long term, you'll place less pressure on your investments.

Stuart Ritter: Yeah, it helps address one of the big concerns people have and that's outliving their money, that was the first of my item we had back in the "how are you feeling about Social Security" section. All of those things need to be taken into consideration when you're making that Social Security timing decision, as you said, for you and your spouse. And because all of this is so personalized, we don't have an answer for each person's situation right now. I know everybody wants us to say, “well, here's your age and here's your age and here's your age.” That's not how it works. But you are now in a position to go get those answers based on your individual circumstances.

Kim Zook: Okay, audience, get ready to take some notes because Stuart, I want you to give our listeners the exact steps they should take next.

Stuart Ritter: Here's what you do okay. Step number one: go get your information, if you don't already have it. Go to ssa.gov and click sign in and create an account or log in if you already have one. Download your statement and your spouse's, if applicable. You can call the Social Security Administration to get ex-spouse information if that applies. Now that you've got the statements, look at your Full Retirement Age and look at your payment amounts at different ages. Again, you'll see that your benefit amount for your work record is highest at age 70. If you're married, have your spouse do the same and see how much of a PIA your spouse has.

[ALL LAUGH]

Stuart Ritter: That's the dollar amount at their Full Retirement Age. I'm going to keep going back to that joke until it doesn't work. Now, you now have the key building blocks to start putting together your plan.

Step two: continue your learning. Dig into areas where you want to learn more. Lindsay has mentioned a couple of different strategies throughout this podcast. If you're the lower earning spouse, do this. If your own benefit is higher than the spousal benefit, do this other thing. So based on your personal situation, now you can go out and start reading more to learn more about what affects you.

Step three: build your retirement income strategy, taking all the timing and all the concerns you have into account. Living longer, break even points. A financial professional can help with this.

Lindsay Theodore: Definitely. And we also have a variety of articles available that address specific situations, such as how a couple might coordinate their benefits, how Social Security benefits are taxed, and working after starting benefits, all to help you, kind of fine tune your learning about Social Security and the next steps most pertinent to you and your personal situation.

And of course, you also have the option to talk directly to the Social Security Administration, which we do recommend and their phone number is (800) 772-1213. They will provide information, but they will not provide you with a strategy. So if you have any concerns about what to ask them or what to do, you might want to seek help from a financial professional for both getting the questions to ask them and then figuring out what to do with the answers once you get them. So that's what we're here for.

Kim Zook: Well, excellent, because you've given everybody's specific action plans. And the most important thing is to learn everything you can.

I know it's hard to believe, but it's time for us to start wrapping up the discussion. Let's leave our audience with some parting thoughts or next steps. Can you share some brief takeaways? Stuart, we'll start with you.

Stuart Ritter: Timing. You knew I was going to say that.

Kim Zook: I did! I don't know why I asked.

Stuart Ritter: Surprised, right? And it's timing of the Social Security decision in the larger context of retirement income. Consider all the available retirement income buckets you have. Maybe a pension, 401(k)s, IRAs, other investments working part time, especially if doing so might replace those zeros in the calculation of your worker benefit that we talked about earlier. All those items should be taken into consideration when you make your Social Security timing decisions.

Lindsay Theodore: Yep. And remember that things will change as you move through retirement. I'm sure that surprises no one. It's typically a 30-year period if you're lucky, so you may move in and out of work. You may use your retirement savings until you start Social Security, and then use less of your savings later, which is a good strategy, your spouse may pass away. You know, your expenses might change over time. You might have a long-term care need; you might vacation not as much. You know, all those things are going to happen. It's a moving target. So a financial professional could help provide the ongoing expertise you need to continue to evolve your strategy based on your changing needs.

Kim Zook: Excellent. There's a lot to think about. So in terms of wrapping up, I, you know, I think and hope what we've accomplished is that we've set out to do, which is to have our listeners feel more confident about the power of Social Security. And so I just want to thank you both for joining us, today and on behalf of myself and the audience. So thank you Stuart and Lindsay.

Lindsay Theodore: Thank you, Kim.

Stuart Ritter: Thank you.

Kim Zook: We hope you found our discussion on Social Security insightful and valuable. Remember, understanding Social Security is crucial for making the most of your benefits and securing a comfortable retirement. Again, I'm Kim Zook, thank you for listening. Please tune in to our next episode which focuses on innovative approaches to tailoring your retirement income plan. If you like this podcast, please rate us and subscribe wherever you get your podcasts. And remember that a confident retirement starts with asking the right questions.

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