

# Understanding Spousal Survivor Benefits

Social Security Strategies



## Will Your Social Security Retirement Benefits Be Enough?

When one spouse passes, the surviving spouse is often left with less income—at a time in life when they may need it most. Fortunately, you and your financial professional can create a financial plan that takes future circumstances into account.

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## Ensuring Lifelong Protection for Your Spouse

You and your spouse have worked hard to create the lifestyle you're now accustomed to. So, if you are the first to pass away, and your Social Security retirement benefit payments stop coming, how will your spouse be impacted?

As a survivor benefit, when one spouse dies, the surviving spouse receives the larger of the couple's two Social Security payments. But that still means the loss of one benefit payment. And that can make a big difference in income.

### A Hypothetical Example

A husband and his wife both receive retirement benefits at age 66,<sup>1</sup> which is full retirement age for both:

- While the husband is alive, they receive a combined monthly benefit of \$3,000 [\$2,000 (husband's monthly benefit) + \$1,000 (wife's monthly benefit)].
- If the husband dies first, his wife receives the higher amount of \$2,000 per month as a survivor benefit.
- One-third of Social Security income is lost at the time of the husband's death.



<sup>1</sup>Please note that this example illustrates full retirement age (FRA) of 66, even though FRA is currently 66 and 6 months for people born in 1957. This hypothetical example is for illustrative purposes only.

## Strategies for Maintaining Income

While the death of a spouse can bring on many changes, it doesn't have to mean a drop in income. Here are two possible ways to help ensure the surviving spouse will have additional income beyond the retirement benefit when one of you is no longer here.

- 1. Savings and Investments**—A diligent savings or investment plan during your working years can provide assets from which income can be withdrawn.
- 2. An Immediate Annuity**—Purchasing an immediate annuity can generate supplemental income during retirement.

### Did You Know?

A divorced spouse who was married for more than 10 years and has not remarried can draw against the ex-spouse's work history. Widows and widowers can receive the higher of his or her own or the deceased spouse's monthly payment, but not both.





# The Savings and Investments Strategy

## Before You Both Retire, Do Some Planning

- o You can use an income-and-expense worksheet to determine how much income will need to be replaced each year when one of you passes and only one Social Security benefit payment is available. As an example, let's say you would need to replace \$650 per month:

$$\text{\$650 per month} \times 12 \text{ months} = \text{\$7,800 per year}$$

- o Next, think about the possibilities and decide how many years of replacement income may be needed. Let's assume you decide on 15 years. Some simple math can help determine the total amount that will need to be withdrawn from savings over those years:

$$\text{\$7,800 per year} \times 15 \text{ years} = \text{\$117,000 in total withdrawals}$$

**If you decide to take this approach, here are some questions you may want to consider:**

- Can you save the entire amount needed?
- If you choose to save through investments, can you be sure that your investments will perform as needed?
- Even if you are successful at saving or investing, what if the replacement income is needed for longer than 15 years? Could that income source run out?

## The Immediate Annuity Strategy

An immediate annuity is a financial product that provides immediate and steady supplemental income payments guaranteed to last the surviving spouse's lifetime. In addition, it offers tax-deferral, which means your earnings can compound and grow over time.

### A More Efficient Income Plan

As we determined in the savings and investments example, it would take a lump sum of \$117,000 to generate \$7,800 in payments per year for 15 years. However, an immediate annuity with a Life Only payment option would need to be funded with just \$104,547 to generate \$7,800 in payments per year<sup>1</sup> for 15 years—that's \$12,453 less than savings or investments may require.

### The Security of Protected Lifetime Income

Once the annuity is purchased, the income payments are protected for life. No matter how long the surviving spouse lives, the income will never run out.



All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

<sup>1</sup>Amount is based on a single-life immediate annuity for a female age 74 as of August 2022.

## Social Security Resources

The more you and your spouse know about retirement benefits, the better able you'll both be to make the most of them. For answers to your Social Security questions, talk with your financial professional.

Pacific Life can help too. Take advantage of our retirement-planning resources at [PacificLife.com](https://www.pacificlife.com).

### Pacific Life Resources

Pacific Life offers financial calculators to help you plan for your retirement benefits needs. You can access the following calculations by visiting [PacificLife.com](https://www.pacificlife.com):

- Social Security Retirement Income Estimator
- Federal Income Tax Estimator
- How Much of My Social Security Benefit May Be Taxed?
- How Does Inflation Impact My Retirement Income Needs?

### Helpful Resources

- Social Security Administration (SSA) Phone: (800) 772-1213
- Social Security Website
- Deciding When to Claim Retirement Benefits
- Ways to Apply
- Find a Local Office
- Government Pension Offset
- AARP Website
- Windfall Elimination Provision
- Get Your Social Security Statement



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It's essential for you to choose a strong and stable company that can help you achieve your future income needs. Since 1868, individuals and their families have relied on the strength of Pacific Life to help protect their financial security.

- Pacific Life Insurance Company is organized under a mutual holding company structure and operates for the benefit of its policyholders and contract owners.
- We have achieved ongoing recognition<sup>1</sup> for high-quality service standards.
- We offer products that address market environments during all stages of your life.
- Pacific Life is designated as one of the 2023 World's Most Ethical Companies<sup>®2</sup> by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.
- We maintain strong financial-strength ratings from major independent rating agencies.

Ratings may change and do not apply to the safety or performance of the underlying variable investment options. For more information and current financial-strength ratings, please visit [PacificLife.com](https://www.PacificLife.com).



<sup>1</sup>Recipient of multiple DALBAR Service Awards since 1997. Refer to [www.DALBAR.com](https://www.DALBAR.com) for more information regarding awards, certifications, and rankings.

<sup>2</sup>Based on the Ethisphere Institute's Ethics Quotient<sup>®</sup>. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

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speak with your financial professional or visit our website.

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