



## OLD NORTH STATE TRUST, LLC

### **After Divorce, Lower-earning Spouse can Claim Boosted Retirement Benefits**

Breaking up is hard to do but making sure you get all the Social Security benefits you're entitled to after a divorce should be one of the simpler financial matters you have to deal with.

With fully half of all marriages ending in divorce these days, untangling separating spouses' retirement benefits has become a routine matter for the Social Security Administration. But what's routine for a bureaucrat is anything but for individuals, especially when they're caught up in one of the most emotionally wrenching experience of their lives.

So just in case you're in that situation—or odds are that you know someone who will be—here are some basic facts everybody should be aware of.

The first essential number is ten. That is, ten years. If a marriage lasts at least that long, then a divorced person can receive benefits based on the ex-spouse's work record. This is nothing less than a lifeline for those spouses, usually wives, who devoted their peak earning years to keeping a home and raising children. The law ensures they won't be left out in the cold, even if they lack a strong earnings record in their own names.

Now, of course, we come to the "yes, but" part of the matter. Maybe the most important is the re-marriage rule. An ex-spouse who marries again instantly relinquishes any claim on the previous spouse's Social Security benefits. So, the ten-years-and-out calculation applies only to those who remain single after cutting the knot.

There's a footnote to this, however. If your benefits come from the account of an ex-spouse who has died, and if you remarry after turning 60, the money won't be cut off.

Ex-spouse benefits are ordinarily available only to those 62 and older, the same age that triggers any able-bodied person's ability to start collecting benefits. And, of course, you can't get Social Security if the ex-spouse himself isn't part of the system. For example, some state or municipal employees who are covered by local government pension plans are exempt from Social Security.

One other very important caveat applies: if you would collect more based on your own work history than you'd get from your ex-spouse's history, then you're better off on your own. In cases where both are eligible for benefits, the one with the lower lifetime earnings can't get more through the two pipelines combined than they could get solely from on the higher-earning spouse's record.

We've heard of people hesitating to claim benefits from the ex-spouse's account for fear that this would diminish the former partner's own retirement. Don't worry. It won't. Whatever you draw won't have any effect on what the ex can collect; not even what the ex's new spouse might be entitled to. So, go ahead and apply for benefits if you meet one of these tests:

1. If the ex is already collecting Social Security, then you can start collecting, too. Right away, as soon as you meet the age requirement.
2. If the ex hasn't applied for benefits yet—maybe has decided to wait until age 70 instead of starting to collect at the normal retirement age of 67—you can still start to collect if you have reached 62 and the marriage has been over at least two years.

That gets to another important consideration. While you can start to collect benefits at 62, whether as a divorced spouse or on your own account, those benefits are less than if you waited until 67. (And they'll be even greater for every year you wait up to age 70.) That's always true, by the way. The reduction for collecting early is permanent. So, it pays to do some careful calculating, considering your best guess about your life expectancy, to see how much in total you could expect to collect under various approaches. Consider what you stand to get from starting benefits early, at normal retirement age, or late.

If the ex-spouse dies, the same provisions kick in that apply to widows and widowers. Your survivor benefits don't affect any other survivors' benefits, they can come independent of your own benefits, and they can be collected as early as age 60.

It may be useful to review a few more important numbers used in calculating Social Security, whether you're divorced or not.

First of those is 35, the number of years' earnings history used to calculate benefits. The government considers the years of highest earnings, whether those came early or late in your career. If your work record is less than 35 years, non-earning years are still entered into the calculation. And a string of zeros will seriously drag down the average. So, anyone who hasn't reached retirement age, and has the opportunity to put in more working years so the total adds up to 35, should seriously consider doing so. The advantage after reaching retirement can be considerable.

Next is 62, the minimum age for ordinary retirement benefits. (None of what we're discussing here applies to Social Security disability income, which has its own complex set of rules.) While for many if not most workers, it makes good sense to wait until full retirement age, some may do better to start drawing benefits as soon as possible. That's most true of people whose own health or family history suggests they won't be able to enjoy many years of benefits. And, of course, anyone who badly needs income now, perhaps because of job losses in a declining industry or depressed region, may be a good candidate for early retirement.

The final number is eight. That is, 8 percent is how much your benefits go up for every year you delay retirement past 66. So, whether you're considering whether to start collecting early or delay until the last possible moment, use that annual bump as a factor in your calculations.

While Social Security shouldn't be anyone's sole retirement support, it's an important and inflation-protected part of every portfolio. When weighing your options, especially if you are divorced, it's a good idea to consult an experienced financial planner. The experienced, knowledgeable professionals at Old North State Trust can help make sure you understand all the numbers.

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