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# Fiscal Fitness



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## Women Could Receive Benefits From Their Ex-husband's Social Security!

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Divorce is difficult for everyone involved: the husband, the wife, the children. It is often difficult financially and can be especially hard on a woman if she did not work outside the home while raising her children. Her contribution to the family during those years, while highly valued, came with no paycheck. This lack of earnings could result in a very small social security benefit for her when she reaches the age she could apply for social security benefits (62 is normally the earliest age). Congress, in realizing this, passed laws that provide a little more economic security for women who have divorced by giving them up to 50% of their ex-husbands' social security benefits without affecting the benefits he would receive.

If you are divorced, you may receive benefits based on your ex-husband's employment if: your marriage lasted 10 years or longer; you are unmarried; you are 62 years old or

older; the benefit you are entitled to receive based on any of your own employment is less than the benefits you would receive on your husband's; and your ex-husband is entitled to Social Security retirement or disability benefits. Assuming you meet these requirements, let's see how your benefits would be affected if you were to decide to apply for benefits at ages 62, 66, and 70.

If you elect to claim benefits at age 62, your benefit will be compared to your spousal benefit. Your spousal benefit is equal to up to 50% of your ex-husband's benefit. You will be paid the higher of the two automatically. And since you are claiming benefits before 66, which is full retirement age (FRA), this benefit will be **permanently** reduced by approximately 25% for early election. If you plan to work after age 62, this benefit could be reduced

even further. For 2011, if your adjusted gross income (AGI) is greater than \$14,160, then for every \$2 over the limit, \$1 is withheld from your benefit until you reach FRA.

Waiting until FRA gives you a little more flexibility. If you apply for benefits at this age, you are not automatically paid the higher benefit; instead, you choose what benefit to receive—yours or your spouse's. If yours is higher it seems logical to take yours. But this may not be the best case, as we shall see later. Also, if you continue to work after FRA, there is no limit on the amount of money you can earn, and your benefit will not be reduced.

If you want all the advantages of FRA plus more, wait until you are 70 years old to claim benefits (the longest you can wait to claim). I mentioned earlier that it might not be best to take the higher of the two benefits at age 66. Here's why: at 66 years old, if you choose to take your spousal

benefit and not yours, your benefit grows at a rate of 7% per year. For example, if your benefit at age 66 would have been \$1,000 per month, waiting until you turn 70 would give you \$1,320 per month, and you would receive this higher amount for the rest of your life. So you can see, depending on your circumstances, it might be best to wait.

Social Security might not be your only source of retirement income. When it comes to retirement planning, other factors should be considered in conjunction with Social Security. Do you have other sources of income such as pension funds, IRAs, 401(k)s, and savings accounts? All these should be included when you set up your plan for retirement, and hopefully will reduce your stress and leave you free to enjoy the things that matter most—travel, children, grandchildren, and friends.

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