SOCIAL SECURITY STRATEGIES

The Restricted Application for Spousal Benefits

12/16
23175-16A

MAKING SOCIAL SECURITY WORK FOR YOU

The Social Security eligibility rules are generally the same for everyone—but no one's life, retirement goals, or financial needs are exactly the same. That's why Pacific Life has created the Social Security Strategies series of brochures. Each brochure in the series focuses on a specific strategy to consider as you and your financial professional discuss how Social Security benefits fit into your overall plan for creating lifetime retirement income.

Discuss with your financial professional everything you want out of retirement.

Then, ask how to shape a sustainable retirement income strategy that's right for you.

CHOOSE A MORE SECURE RETIREMENT

When it's time to apply for Social Security benefits, many married and divorced individuals may not realize that they have a choice. When you reach your full retirement age (FRA)[1] (as long as you were age 62 or older prior to January 2, 2016[2]), and you are eligible for both a retirement and spousal (dependent) benefit,[3] your first option is to claim either:

1. Your Social Security retirement benefit
2. Your Social Security spousal benefit—with the ability to switch to your retirement benefit at a later time

Option 2 is known as the restricted application for spousal benefits: You apply for Social Security benefits, but restrict your claim to your spousal benefit. For many people, this may be an effective strategy for increasing your financial security in retirement. Each individual's situation is unique; please talk to your financial professional to learn the strategy that may work for you.

Key Advantages

Why consider the restricted application strategy?

- The Social Security system rewards those who wait. For each year beyond FRA that you defer taking your retirement benefit, your benefit receives a credit of 8% per year, until age 70.
- While you wait, you can still have income. If you take your spousal benefit after attaining FRA, you'll receive Social Security payments equal to half of your spouse's (or former spouse's) full retirement benefit (benefits will be reduced if you have not attained FRA).
- If you're married, it may provide extra protection for your spouse. At the death of one spouse, Social Security pays the surviving spouse the larger of his or her retirement benefit or the survivor benefit.

Your survivor benefit equals 100% of your spouse's retirement benefit when you are at FRA. So, for example, a husband who defers his retirement benefit beyond FRA increases both his own retirement benefit and his wife's survivor benefit.

Things to Consider

While electing the restricted application option can be a smart move, it's not for everyone. Your current need for income, family situation, and health should all be considered before making a decision to utilize this claiming strategy.

[1]You can claim your own retirement benefit as early as age 62, although full retirement age is the age at which a person may first become entitled to full or unreduced retirement benefits and ranges between 65 and 67 (depending on your year of birth).

[2]For individuals that did not reach age 62 prior to January 2, 2016, this Social Security claiming strategy is unavailable. Source: "Bipartisan Budget Act of 2015 Closes Social Security Loophole." Social Security Administration Office of Legislation and Congressional Affairs. April 2016.

[3]To be eligible for a spousal benefit based on your current marriage, your spouse must have filed for his or her retirement benefit based on his/her earnings. The rules for spousal benefit eligibility based on a former marriage follow later in this brochure.

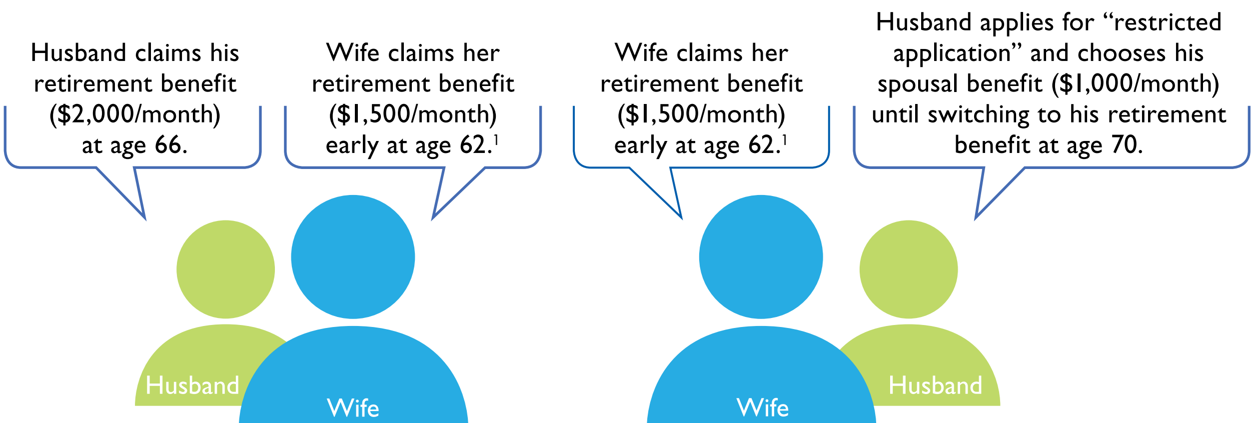
HOW THE STRATEGY WORKS

For Married Couples

Example: A wife, age 62, and her husband, age 66, want to retire at the same time.

Each is eligible for a $2,000 per month retirement benefit at his/her FRA of 66. However, because the wife has not reached her FRA, her monthly benefit will be reduced if she retires now and begins to receive benefits.

How might they retire together and maximize their Social Security income?



	Without Restricted Application	With Restricted Application
Monthly income before husband's age 70	$2,000 + $1,500 = $3,500	$1,500 + $1,000 = $2,500
Monthly income after husband's age 70	$2,000 + $1,500 = $3,500	**$1,500 + $2,640 = $4,140**
Monthly survivor benefit for either spouse	$2,000	$2,640

8% credit[3] increases husband's benefit from $2,000 to $2,640

Annual difference in income and survivor benefit: $7,680 ($640 x 12 months)

[1]Claiming an early retirement benefit can result in up to 25% reduction in retirement benefits.
[2]Because the husband is at FRA, his spousal benefit equals half of his wife's full, rather than reduced, retirement benefit.
[3]Rate of increase is based on an individual born in 1943 or later who defers retirement benefits until after FRA.

For Divorced Individuals

Example: A formerly married woman wants to retire at age 66. She and her ex-husband are eligible for a $2,000 per month retirement benefit at FRA. She can choose to defer her retirement benefit and, instead, claim a spousal benefit based on her ex-husbands Social Security benefits as long as all the following are true:

- She has reached her FRA.
- The marriage lasted at least 10 years.
- She is not remarried.
- Her ex-husband has filed for benefits, or if not, they have been divorced for at least two years.
- Her ex-husband is also currently eligible for Social Security benefits (he is at least age 62).

If all the above are true, she can claim a spousal benefit equal to 50% of her ex-husband's full retirement benefit.

Ex-wife claims her retirement benefit ($2,000/month) at age 66.

Ex-wife applies for "restricted application" and chooses her spousal benefit ($1,000/month) until switching to her retirement benefit at age 70.

	Without Restricted Application	With Restricted Application
Monthly income at age 66	$2,000	$1,000
Monthly income at age 70 and after	$2,000	**$2,640**

8% credit[3] increases her benefit from $2,000 to $2,640

At age 70, the annual difference in her retirement benefit: $7,680 ($640 x 12 months)

Interested in this or other ideas on Social Security benefits
and how they can help support your retirement income strategy?
Talk to your financial professional.

There are many options for creating a plan, and your financial professional can explain how each fits into your specific life situation.

23175-16A

Mailing addresses:

Pacific Life Insurance Company
P.O. Box 2378
Omaha, NE 68103-2378
(800) 722-4448

In New York, Pacific Life & Annuity Company
P.O. Box 2829
Omaha, NE 68103-2829
(800) 748-6907

PACIFIC LIFE

www.PacificLife.com