

Social Security Strategies

Understanding Spousal Survivor Benefits



Retirement

SOLUTIONS

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 fits 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.



Protect the Person You Love Most

You and your spouse are partners who depend on each other and have built a life together. So when you're no longer there and your Social Security checks stop coming, how will it impact your spouse's lifestyle?

As a survivor benefit, when one spouse dies, the surviving spouse receives the larger of the couple's two Social Security checks. But that still means the loss of one check.

Let's look at a hypothetical example . . .

A husband and his wife both receive Social Security benefits at age 66, 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.

Strategies for Maintaining Your Income

You don't need to experience a drop in income upon the death of a spouse.

Two possible strategies to ensure the needed income is available are:

1. **Savings/Investments**—Build up your savings or investments before you retire, so the needed income can be withdrawn from these assets.
2. **Immediate Annuity**—Purchase an immediate annuity with a cash refund option to 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.

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No bank guarantee • Not a deposit • May lose value

Not FDIC/NCUA insured

Not insured by any federal government agency

The Savings/Investments Approach

Before you retire, do some planning. You can use an income and expense worksheet to determine how much income you'll need to replace each year if you no longer receive one of the Social Security benefit checks. Let's say you would need to replace \$650 per month:

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

Next, think about the possibilities and decide how many years of replacement income you feel you may need. Let's assume you decide on 15 years. Then, by doing some simple math, you determine the total amount you'll need to withdraw from your savings over those years:

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

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, how can you be sure that your investments will perform as expected?
- Even if you are successful at saving or investing, what if you need the extra income longer than 15 years? Will your source of income run out?

The Immediate Annuity Approach

Using an immediate annuity to supplement income is another strategy to consider. It is a financial product that provides you with immediate and steady income payments guaranteed to last your entire lifetime. The possible advantages of an immediate annuity include efficiency, guaranteed income for life, and a refund of the purchase amount.

It may be more efficient: It would take only \$116,103 in an immediate annuity with a life with cash refund payment option to generate \$7,800 in payments per year.¹ Based on the calculation above, that's \$900 less than saving or investing may require.

Payments are guaranteed for life: Once the annuity is purchased, the income payments are guaranteed for life. No matter how long your spouse lives, the income will never run out.

The cash refund option gives you the purchase amount back: If you were to die shortly after purchasing the annuity, the annuity's life with cash refund option would provide your estate or beneficiaries with the remaining amount of your \$116,103 annuity purchase payment minus payments already received.

¹Amount is based on a single-life immediate annuity that has a "life with cash refund" option for a female age 74 as of November 2015.

Social Security Resources

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

Pacific Life can also help. Take advantage of our retirement planning resources at www.PacificLife.com.

Helpful Resources	Pacific Life Resources
Social Security Administration (SSA) Phone: (800) 772-1213	Pacific Life offers financial calculators to help you plan for your Social Security needs. You can access them by visiting www.PacificLife.com . <ul style="list-style-type: none">• 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?
Social Security Website: www.ssa.gov	
Online Benefits Application: www.ssa.gov/applyonline/	
Find a Local Office: www.SocialSecurity.gov/locator	
Government Pension Offset: www.ssa.gov/planners/retire/gpo-calc.html	
AARP Website: www.aarp.org	
Windfall Elimination Provision: www.ssa.gov/planners/retire/anyPiaWepjs04.html	



Talk to Your Financial Professional

Interested in this or other ideas for ensuring that your retirement income strategy is right for you? Talk to your financial professional. There are many options for creating a plan to help you achieve your financial goals, and your financial professional can explain how each fits into your specific life situation.

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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

www.PacificLife.com

