



Unexpectedly Alone: Planning for the Future

Sudden life changes can cause chaos for retirees. Are you prepared to discuss income strategies with clients experiencing unforeseen life events, such as divorce or the loss of a spouse?

Unexpected events are, well, unexpected—they're not part of the plan. Clients spend many years meeting and discussing goals with financial professionals during their working years to create successful retirement plans that maintain their lifestyles. But even the best-laid plans can be tested when the unthinkable happens. Here are a few things to consider when working with clients who are going through tough times.

Death of a Spouse

Although a long life is what most strive for, longevity—of both your clients and their spouses—can be a risk in retirement. It's also arguably the hardest risk to gauge. Though statistics show that women tend to outlive men, individual circumstances don't always align with statistics. How can surviving spouses maintain their lifestyles after becoming unexpectedly alone?

■ Social Security

If eligibility requirements are met, the surviving spouse is able claim survivor benefits from the Social Security Administration. For example, a surviving spouse can typically begin collecting survivor benefits at age 60 (or age 50 if disabled), provided they were married for at least nine months and did not remarry before age 60. Additionally, a surviving spouse of any age can receive benefits if they are caring for a child of the deceased worker who is under age 16 or disabled. This is especially important for the homemaker who was not in the workforce, as it provides them with 100% of the deceased spouse's benefit if the homemaker claims at their full retirement age or later. This includes delayed retirement credits (DRCs) earned prior to claiming, if eligible. For a surviving spouse with their own income, they can claim the survivor benefit until age 70 to maximize their own retirement benefit amount with DRCs.

■ Health Insurance

In healthcare, death is considered a qualifying event, meaning the surviving spouse can make changes to their health insurance coverage. However, the rules vary depending on the type of coverage. If the survivor is enrolled in Medicare, typically benefits will not change. For exchange policies, such as the Affordable Care Act (ACA), and private insurance, the specific policy will determine the steps needed to continue coverage. For employer-sponsored insurance, the survivor will likely need to consider COBRA (if available) or ACA coverage until they qualify for Medicare.

■ Other Uses of Beneficiary Benefits

Death benefits (also known as beneficiary benefits) from life insurance and/or some annuity products also can help bridge income gaps for a surviving spouse. If these products are part of the portfolio of the deceased, they may provide additional resources for the surviving spouse. In some cases, an annuity could help the spouse create additional income.

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Divorce

According to the National Center for Health Statistics, there were over 670,000 divorces in 2023 alone. And while it's healthy to hope for the best, it's also prudent to plan for unexpected relationship changes. Here are some things to remember when helping your clients plan.

■ Social Security

Dependent benefits can be claimed from the Social Security Administration if the marriage lasted 10 years or longer and the client remains unmarried. If the divorce occurred two or more years prior, the client can claim his or her dependent benefit as soon as both parties are age 62, the earliest age to claim Social Security retirement benefits. Keep in mind that claiming before full retirement age results in lower benefits. Furthermore, if the ex-spouse passes away and was unmarried or remarried at age 60 or older, the surviving divorced spouse may be eligible for survivor benefits under similar conditions.

■ Health Insurance

Unfortunately, even if the ex-spouse is age 65 and eligible for Medicare benefits, a client won't be eligible until he/she reaches age 65 as well. Once the client attains age 65, they may qualify for Medicare. If the ex-spouse was Medicare-qualified, the client can qualify for Medicare coverage, including premium-free Part A. If the client is age 65 or older, Medicare may be available through either original Medicare (Parts A or B, prescription drug, or Medigap) or Medicare Advantage. If the client is not eligible for Social Security via their own benefit, they may be entitled to premium-free Medicare Part A through their ex-spouse. If the client is under age 65, they will likely need to consider COBRA (if available) or ACA coverage until they qualify for Medicare.

■ Other Methods for Creating Income

If a client takes a qualified domestic relations order (QDRO) distribution, they have a one-time opportunity to take a portion of the distribution in cash. That cash distribution is exempt from the 10% early-withdrawal penalty that normally applies to distributions taken before age 59½. In situations in which the divorced client is younger, they may choose to take cash from the divorce settlement to establish a single-premium immediate annuity to assist with paying for health insurance or other necessities.

Planning for unexpected events can be difficult, but understanding your client's history (earner versus homemaker) can give you an idea of how to proceed when they occur.

Being alone unexpectedly is a burden your clients do not want to bear without help. It's important to provide resources and assistance to help clients who find themselves unexpectedly alone reorient their lives and maintain their retirement plans.

ACTIONS YOU CAN TAKE RIGHT NOW

- **Review with clients how Social Security benefits can account for unexpected events whether a person is an earner or a homemaker.**
- **Consider whether a just-in-case plan using an annuity for later income will benefit your client(s).**

¹National Vital Statistics System. "Provisional number of divorces and annulments and rate: United States, 2000-2023." CDC National Center for Health Statistics. March 7, 2024. <https://www.cdc.gov/nchs/data/dvs/marriage-divorce/national-marriage-divorce-rates-00-23.pdf>

Additional Resources and Links

[Practicing Compassion in Your Clients' Worst Times](#)

[Social Security Benefits](#)

[Healthcare](#)

[Retirement Planning Blog Posts](#)

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RSG@PacificLife.com or (800) 722-2333, ext. 3939.

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