

# 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

The surviving spouse is able claim survivor benefits from the Social Security Administration. 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, including delayed retirement credits (DRC), if eligible. For the earner, he/she can claim the survivor benefit until age 70 to maximize his/her own benefit amounts with DRC.

### • Health Insurance

In healthcare, death is considered a qualifying event. In other words, the surviving spouse can make changes to his/her health insurance coverage. For the surviving spouse, this would qualify him/her for a special enrollment period if covered under the deceased spouse's health coverage.

### • Other Uses of Beneficiary Benefits

Beneficiary benefits (also known as death benefits) from life insurance and/or annuity products with beneficiary benefits also can help bridge income gaps for a surviving spouse. In most instances, these types of products are already included in the client's retirement plan.

## Divorce

According to the National Center for Health Statistics, of the 4—5 million people who get married each year, about 48% end in divorce. Here are some things to remember when helping your clients plan.

### • Social Security

Dependent benefits can still be claimed from the Social Security Administration if the marriage lasted 10 years or longer and the ex-spouse remains unmarried (or is age 62 or older when he/she remarries). If the divorce occurred two or more years prior, the ex-spouse can claim as soon as both parties are of retirement age. This is key, as it could be considered additional income—whether it be for an earner or homemaker. Keep in mind that claiming before full retirement age (FRA) results in lower benefits.

Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company or Pacific Life & Annuity Company. In New York, insurance products are only issued by Pacific Life & Annuity Company. Product/material availability and features may vary by state.

## • 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 that age, he/she may claim on the ex-spouse's eligibility as long the client remains unmarried and was married to the ex-spouse for 10+ years. The ex-spouse also may qualify if certain parameters are met.

## • Other Methods

In situations in which the divorced spouse is younger, your client may turn to taking cash from the divorce settlement and establishing a single-premium immediate annuity (SPIA) to assist with paying for health insurance or using the income for other needs. This strategy can help avoid the additional 10% federal income tax if withdrawals are taken before age 59 ½.

## 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 homemaker.
- Consider whether a "just-in-case" plan for later income will benefit your client(s).

Planning for unexpected events can be difficult, but understanding the dynamics of clients' families (earner versus homemaker) can give you an idea of how to proceed when they occur. Moreover, conducting business with one spouse can often mean providing assistance for the other.

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.

## Additional Resources and Links

[Understanding Spousal Survivor Benefits: Social Security Strategies](#)

[Social Security Benefits](#)

[Healthcare](#)

[Retirement Planning Blog Posts](#)

For more information about retirement planning,  
please contact our Retirement Strategies Group at  
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VLQ3012-0323W

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