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Collect Social Security Based On an Ex-Spouse's Work Record

Yes, it's true: If you're divorced, and don't qualify for very high Social Security benefits because you were a stay-at-home spouse, you can potentially collect a Social Security benefit based on your ex-spouse's work record—depending on the circumstances, of course. Do you qualify?

Let's say you stayed home with your children while your spouse worked. After 25 years, you divorced, and you re-entered the workforce. You're now near retirement age, and you either haven't accumulated enough credits to qualify for Social Security yourself, or you haven't accumulated as many as your ex-spouse has.

In a case such as this, you may qualify for Social Security benefits based on your ex-spouse's work record. Typically, those benefits would be equal to half of your ex-spouse's benefits at his full-retirement age. And in most cases, anything you receive based on your ex-spouse's work record wouldn't affect his or her benefits.

Of course, there are some caveats. Your marriage must have lasted at least 10 years. Your ex-spouse must be at least 62 years old, and must be collecting or eligible for Social Security benefits. And, you must be at least 62 years old and unmarried. Moreover, you can only collect the full benefits you're owed based on your ex-spouse's work record if you wait until your own full-retirement age to starting taking benefits; otherwise your benefits would be reduced.

Applying for Social Security benefits based on your ex-spouse's work record can also get tricky. First you'll have to apply for benefits based on your own work record (assuming you've worked a total of 10 years or more, the minimum to qualify for Social Security benefits). That's because where the money comes from will depend on how much you're owed versus how much your ex-spouse is owed. For example, if you're entitled to $500 based on your own earnings, and $1,000 based on your ex-spouse's earnings, you would still get $1,000 a month—but $500 would be based on your own record and $500 on your ex-spouse's.

Call me or complete the attached reply coupon to request some additional information.

Consider This Before Changing Jobs Prior to Retirement

A 401(k) — an employer-sponsored retirement plan that allows you to save money for retirement on a tax-deferred basis — is usually a great deal. Many of us contribute until the day we retire, and we encourage our kids, whether they're recent college graduates or more established in their careers, to do the same. But just *how* good deal is a 401(k) plan? Is it worth giving up if you're offered a more lucrative position — such as a consulting jobs without extensive benefits — as you approach retirement?

Let's run the numbers. To start, let's say you currently earn $75,000 a year, and you contribute 10% of your salary to a 401(k) that matches your contribution 50 cents on the dollar. So, you end up with $11,250 per year in your 401(k) — $7,500 of your own contributions, and $3,750 of your company's.

By contributing to a 401(k), you also save $2,250 in taxes, assuming a 30 percent combined federal and state rate. How do we figure that? Well, 30 percent of $75,000 is $22,500. But 30 percent of $67,500 — your taxable income after contributing to the 401(k) — is $20,250. That's a difference of $2,250.

Now, suppose you get a more lucrative job offer of $90,000 per year, $15,000 more than you're currently making. You're approaching retirement, and you think the extra cash sounds great. But the new firm doesn't have a 401(k). Are you getting enough of a raise to justify changing positions?

To start, you'll lose the $3,750 in matching contributions, which means the raise is really only worth $11,250. But you also have to look at the loss of tax savings: You can now open a traditional IRA, but there's a $4,000 limit on that, and at a 30 percent combined federal and state rate, that will only result in a $1,200 tax savings — $1,050 less than you now have. As a result, your raise is worth only $10,200.

There's more, however. A 401(k) plan allows for tax-free compounding. According to SmartMoney.com, the after-tax rate of return on a taxable account can be more than 1 percent lower each year. As a result, if you keep your money invested for 20 years, $6,451 of your new raise will go to replacing the cost of the 401(k) you're giving up. So the raise you'd get by going to a new job is 11.3 percent, not the 20 percent you thought. That may be enough to justify changing jobs, or it might not; it will all depend on your individual financial circumstances.

Those calculations may sound complicated, but we'll do the figuring for you at no charge. Contact us now before you make a job change.

Is Relocation a Viable Last-minute Retirement Planning Option?

Many financial planners will tell you the best way to save for retirement is to start young and consistently put aside a portion of your salary into a retirement savings vehicle. And some people certainly do that. But if you're like many of us, you didn't save as much as you could, and now you're looking for some last minute options.

On one hand, you could save more. But that isn't necessarily viable. More immediate goals, such as paying your mortgage and health care bills, or helping out your children and grandchildren, may be stretching your budget. Around 58% of Americans age 55 and older have saved less than $100,000 for retirement, according to the Employee Benefit Research Institute's latest Retirement Confidence Survey[1]. Only 19% have saved $250,000 or more.

That means you may need to adjust your expectations for retirement. And one way to do that is to consider relocating.

Relocating? To many, that might seem drastic. You like where you live. You've built a life there. You're close to your children and grandchildren. But depending on where you live now, and where you move to, it could significantly impact your quality of life in retirement.

We're not talking about warm weather and palm trees, but moving from a high-cost area to one with a significantly lower cost of living. Doing so can make the difference between a rough retirement and a comfortable one — particularly if you have significant equity in your home. And who knows—maybe there will be palm trees as well. Let's say you have $50,000 a year to live on in retirement, and you currently live in Oakland, California. What will happen if you move to Bradenton, Florida? According to Bankrate.com[2], you can take a 33.21% decrease and still maintain your standard of living. Just compare some of the prices between the two areas.

Cost of living comparison

	Oakland, CA	Bradenton, FL
Home price	$669,083.00	$299,138.50
Mortgage payment	$3,089.74	$1,370.46
Apartment rent	$1,389.00	$769.00
Gasoline	$2.94	$2.81
Doctor visit	$89.80	$78.50
Optometrist visit	$119.75	$73.60
Men's shirt	$39.19	$24.10

Source: Bankrate.com as of September 2006. For illustrative purposes only.

In fact, there were only a few things that cost more in Bradenton than in Oakland, including energy, which was $120.69 and $167.03, respectively. (Guess it's all the air conditioning.)

The key, if you are considering this strategy, is to find a community with a solid economy as well as opportunities for an enjoyable lifestyle. The latter will depend on what you enjoy, but may include warm weather, access to cultural activities, or other retirees with whom you can socialize.

Has your retirement financial plan factored in the potential benefit of relocation? It should and we're happy to show you that you may be in better financial shape than you think with a potential move. Contact us now.

1 Source: http://www.ebri.org/surveys/rcs/

1 Source: http://www.bankrate.com/brm/movecalc.asp