



James H. Fydroski CFP®, President
President, Haas Financial Services Inc.

Social Security Survivor Benefits

We can guarantee cash benefits as far out and at whatever size you like, but we cannot guarantee their purchasing power – Alan Greenspan (Federal Reserve Chairman, 1987-2006, on funding Social Security to Senate Banking Committee, 2/15/05

A number of comedians have made careers of making jokes about why men die earlier than women. We need not go into that here, but suffice it to say, actuarially men generally do die earlier than women. We also know that while women's salaries and earnings are gradually improving over time, they still have not caught up to their male counterparts. From a Social Security perspective, if the lower earning wife dies first, it will make no difference to a husband's larger survivor benefit. However, the opposite is not true. Consequently, planning for a lower earner's maximum survivor benefit becomes very important as both a retirement and longevity tool.

A widow or widower is entitled to survivor benefits based upon the deceased spouse's earnings if the widow(er) is:

- at least age 60
- the worker died fully insured
- the widow(er) is not currently married
- the spouses were married for at least nine months prior to the worker's death.

As a refresher, a person is fully insured if she/he has 40 quarters (10 years) of covered employment or self-employment. Also, while you are able to collect a survivor benefit at age 60, the benefit will be reduced if you are not at full retirement age. The nine month marriage requirement does not apply if the worker's death was accidental or if it occurred on active military duty. There are other rules and exceptions that may apply but these guidelines sum up the basics.

How does remarriage affect survivor benefits? The remarriage of a widow(er) after age 60 will not prevent that individual from collecting survivor benefits that were earned from the deceased spouse. However, if the widow(er) is under her/his normal retirement age, the benefit will be reduced and is subject to the earnings cap. If earnings exceed \$15,480 in 2014, the individual's benefits would be reduced at the rate of one dollar for every two dollars earned over \$15,480.

It should be pointed out that survivor benefits and personal retirement benefits are different pots of money and you cannot receive both at the same time. The real strategy of survivor or retirement benefits is to determine which benefit to collect first and then which one to continue to collect in the future since there is a choice between the two. The following must be considered in the decision making process: Survivor benefits are frozen at the death of the worker and are worth 100% of the deceased worker's benefit if you collect them at your full retirement age. Survivor benefits do not earn the 8% per year delayed retirement credit by waiting to age 70. Retirement benefits do earn this delayed credit. The ultimate determination is when will the widow(er)s own retirement benefit be worth more than the survivor benefit? Sounds complicated? It is. That is where the analysis comes in and that is why I am here to help with my Social Security software and recommendations.

In the January newsletter, we mentioned a highly regarded stock market indicator devised in 1972 by Yale Hirsh called the January Barometer. The January Barometer hypothesis states that as the S&P 500 goes in January, so goes the rest of the year. The indicator has recorded only seven major errors since 1950. This translates into an 88.9% accuracy ratio for the Barometer. There are few, if any, indicators in the investing business that provide a 100% accuracy test. Although not perfect, the Barometer has provided a highly accurate indicator over the years. As of market close on January 31, 2014, the S&P 500 was down -3.6% for the month. If the Barometer is correct, we could be in for a down year. Only time will tell.

Finally, a postcard was included in the January newsletter asking for your choice on receiving this monthly newsletter. We would like to say **Thank You** to those who have already indicated their preference. If you have not yet sent in your response, please fill out the postcard or email my assistant Patricia Thompson. Thanks for your help. Take good care!!!

What If have no Will or Trust at the time of my death?

The majority of individuals in this state and country do not have a Will or Living Trust in place. There appears to be an attitude that all of my property will automatically pass to my spouse upon my death. That premise may be true if a married couple holds all of their property in joint tenancy form. But what happens upon the death of the surviving spouse? Are there minor or disabled children surviving? Did the decedent want to leave some of his or her property to other individuals? Did the decedent want to leave any charitable bequests? These are just a few of the reasons why a Will or Trust should be in place before death.

A person who dies without an effective Will or Trust in place is subject to the laws of intestacy which means the property in the sole name of that person passes according to the provisions of the Michigan intestate statute as opposed to being directed by the intent of the decedent who died with a Will and /or Living trust. Where the decedent is not survived by any descendant (i.e. child) or parent, the surviving spouse's intestate share is the entire intestate estate.

Subject to certain spousal, family and homestead allowances: where the decedent is survived by one or more descendants, all of whom are also descendants of the surviving spouse and the decedent is not survived by any other descendants of the surviving spouse, or where the decedent is survived by one or more descendants, all of whom are also descendants of the surviving spouse, and the decedent is also survived by one or more descendants of the surviving spouse, or where the decedent is survived by descendants, and at least one, but fewer than all of the decedent's surviving descendants are not descendants of the surviving spouse, the surviving spouse's intestate share for 2014 is the first \$217,000* plus one-half of the balance of the intestate estate exceeding that threshold figure.

Where the decedent is survived by a parent but no descendants, the surviving spouse's share is the first \$217,000 plus three-fourths of the balance of any intestate estate exceeding that threshold figure.

Finally, where the decedent is survived by descendants and none of those descendants are also descended from the surviving spouse, the surviving spouse's intestate share for 2014 is the first \$145,000* plus one-half of the balance of any intestate estate exceeding that threshold figure.

From the foregoing one can see that the wishes of a decedent might not be fulfilled if he or she dies intestate. The author is a proponent of the use of a Living Trust along with a Will. A Living Trust is more flexible than a Will, avoids the probate process, is less time consuming and provides confidentiality.

* subject to annual cost of living adjustment

John F. Goetz, Jr. is an Attorney licensed in the States of Michigan and Florida. He has practiced law concentrating in the areas of estate and financial planning and tax advice for a period in excess of 40 years. His office is located at 7 W. Square Lake Road, Bloomfield Hills, Michigan.

Phone (248) 792-4165

Fax: (248) 203-1950

Email: johngoetz@wideopenwest.com

ADVISORY SERVICES OFFERED THROUGH HAAS FINANCIAL SERVICES, INC.

21415 CIVIC CENTER DRIVE, SUITE 117A, SOUTHFIELD, MI 48076

HTTP://WWW.HAASFSI.COM/ PH 248-728-0028 Fax 248-499-1972 Jim@haasfsi.com