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SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

WHAT'S INSIDE?

Join the Retirement Planning Conversation

Bridging Social Security Gaps with Life Insurance

In traditional terms, life insurance is mainly seen as a way to replace income and shield a family from significant financial hardship. If the insured person, often a breadwinner or their spouse, dies unexpectedly, the insurance money can help replace some of the lost income to support the surviving family members. This money can cover ongoing expenses like mortgage payments, childcare, or college tuition or be used to pay off debts.

It is crucial to understand that the loss of Social Security benefits, particularly after children become independent, is a significant income gap that is often overlooked. Social Security survivor benefits are typically paid to the surviving spouse. But in the event of an unexpected early death, benefits may also be paid to the worker's children and the surviving parent of the worker's children. The latter, known as mother's or father's benefits, are often payable until a blackout period begins. This period, which starts when the youngest child turns age 16, is an aspect that is frequently overlooked when planning life insurance needs. Understanding this potential change in Social Security income can help better manage income gaps.

When deciding how much coverage to acquire and what type of policy to choose, it is essential to consider potential gaps in coverage. Life insurance may be needed not only to replace the working spouse's income after his or her death but also to cover expenses in the event of a spouse whose role has been primarily as the caregiver. This can include costs for childcare, allowing the working spouse to continue earning a living.

Dollars for Dependents

How can life insurance protect against the loss of Social Security benefits? To better understand where insurance can pick up where Social Security income stops, it is first necessary to review who qualifies for survivor benefits after a worker dies.

Mother's or Father's Benefits: Monthly amounts may be payable to a surviving spouse or former spouse at any age of the deceased worker if that spouse (or ex-spouse) is caring for an eligible dependent of the deceased. An eligible dependent is a child under the age of 16 or someone who is disabled with a disability that began before the age of 22 and who is also receiving benefits under the deceased worker's record. Remarriage generally causes these benefits to cease. The maximum benefit payable is 75% of the deceased worker's primary insurance amount (PIA). However, if the surviving parent works and