Child-In-Care Spousal Benefits

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Between our Social Security blog, our Radio Show/podcast, and conversations in the office we have discussed Social Security benefits for spouses an innumerable amount of times. However, there is an offshoot of spousal benefits that we have not covered in much detail; that is, Child-In-Care Spousal Benefits. Really, it's the same spousal benefit we know and love but the qualifier to receive the benefit and the calculation of the benefit amount is what makes it special. In this month's newsletter I am going to briefly cover some of the details around this "special" spousal benefit.

What is the Child-In-Care Spousal Benefit?

As I mentioned in the introduction the *Child-In-Care Spousal Benefit* is no different than the standard benefit for spouses, however it has few caveats that make it a very unique filing option. Remember, when a worker files for *Retirement Benefits* (based off of their own earnings record), the worker's spouse <u>could</u> be eligible for a *Spousal Benefit* based off of the worker's earnings. Keyword "could." More often than not, what makes the spouse eligible is they are at least age 62. However, there is another qualifier that entitles the spouse to benefits; that being they have a child who is under the age of 16 in his/her care.

How much is the Child-In-Care Spousal Benefit?

The interesting part about *Child-In-Care Spousal Benefits* is that it deviates substantially from how "normal" *Spousal Benefits* are calculated.

Keep in mind the "normal" calculations in a Full Retirement Age scenario for a spouse. Once a worker files for their retirement benefit their spouse is eligible for a maximum of half of the workers Full Retirement Age benefit amount (a.k.a. Primary Insurance Amount). However, if the spouse claims before their own Full Retirement Age (anywhere between 62 and Full Retirement Age) they are subject to a permanent reduction of their benefit.

On the contrary, when a spouse has a child-in-care that is under the age of 16 the calculation is much simpler. No matter when the spouse claims he/she will receive half of the worker's Full Retirement Age benefit (Primary Insurance Amount). That is, there are no reductions. Also, note that a spouse with a child-in-care can claim their benefit <u>at any age</u> as long as the worker has filed for their retirement benefit and the child is under age 16. However, as with every aspect of Social Security there is a twist. The benefit amount is subject to a family maximum and considering all of the family benefits involved in a case like this there will be a child or children that is/are eligible for a benefit of their own. So the actual amount paid to the spouse and child(ren) will be limited by this family maximum and they will split the benefit proportionally. (Keep in mind the child(ren) is/are a minors, so any benefit paid to the child(ren)will actually be paid a parent and must be spent for the benefit of the child(ren).

What is very unique about the *Child-In-Care Spousal Benefit* is that an early claim will not reduce the "normal" *Spousal Benefit*. For instance, consider a 66 year retiree, a 62 year old spouse, and their 13 year old child. The retiree can turn on their *Retirement Benefits* and the spouse can turn on his/her *Child-In-Care Spousal Benefits* (remember the child gets a benefit too- but we are not focusing on that in this article).The spouse will receive Child-In-Care Spousal benefit for the next 3 years (until the year the child turns 17), at which point he/she will be 66 and eligible to turn on their “normal” *Spousal Benefit* without any reduction to it.

What are the trade offs?

The tradeoffs between the standard claiming early and claiming later strategies is not as clear in regards to *Child-In-Care Spousal Benefits* (as well as *Children’s Benefits*) and needs to be weighed on a case by case basis. A case can be made for a worker/retiree to turn their own benefits on early to allow the spouse and child to claim some family benefits for a longer period of time. However, a case can also be made for the worker to delay at least to Full Retirement Age or even age 70 depending on what type of income security is needed in the later years of life. There is no doubt that having a child-in-care creates a very unique case where claiming early <u>may</u> quite possibly be a better option.

As always, any questions or comments can be sent to Justin@jimhelps.com