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Widows Who Work

By Elaine Floyd, CFP®

Widows between the ages of 60 and 70 who qualify for both a survivor benefit based on their deceased spouse's work record and a retirement benefit based on their own record have a unique opportunity to coordinate the two benefits to maximum advantage.

They can start a reduced survivor benefit as early as age 60 and switch to their own maximum benefit at 70. Or, if the survivor benefit at FRA would be higher than their own benefit if taken at 70, they can start their own reduced retirement benefit at 62 and switch to the full survivor benefit at full retirement age.

Complicating the situation, though, is when the widow works. All benefits received before full retirement age—including survivor benefits—are subject to the earnings test. Under the annual earnings test, $1 in benefits is withheld for every $2 earned over the threshold amount, which is $23,400 in 2025. While we usually recommend that people stay out of their Social Security office if they are under FRA and work—mainly because the earnings test is a huge hassle and if they receive any checks at all they will end up with a permanently reduced benefit—

this advice doesn't apply to widows who will be switching to a different benefit.

We have seen many cases where a widow under FRA is told by SSA that she cannot receive survivor benefits at all if she works. This is said without the agent doing any of the math that would determine if she might receive even a few checks. A widow who earns, say, $30,000, would not have all of her benefits withheld for the earnings test. She might indeed be better off starting the appropriate benefit (survivor or retirement) before FRA even though a few of her checks might be withheld.

The earnings test will still be a hassle, but it will be worth it depending on how the math works out. Here's how to tell. Take your expected earnings, subtract the exempt amount ($23,400 in 2025), and divide by 2. From this number subtract the annual benefit amount. If it's positive, this is the amount you'll end up with after the earnings test withholding. If it's negative, it means all of your benefits would be withheld for the earnings test and in this case there really would be no point in applying for benefits before FRA (or before you stop working).

EXAMPLE FOR A 60-YEAR-OLD WIDOW WHO WORKS

Wendy is a widow aged 60. She works and earns $50,000 a year. Her full survivor benefit, if claimed at her FRA, is $3,000. If she claims it at age 60, she'll receive 71.5% of that, or $2,145 per month, $25,740 per year. To see if it's worth it for her to apply for benefits, take her $50,000 annual earnings and subtract $23,400 = $26,600. Divide by 2 = $13,300. This is the total amount that would be withheld. Since SSA withholds whole checks, divide $13,300 by $2,145 = 6.2. Rounding up we see that seven whole checks would be withheld for the earnings test. This would leave her with five checks totaling $2,145 x 5 = $10,725. This is money she would forego if she were to fail to apply for her survivor benefit as soon as she was eligible for it. (The small amount that was overwithheld due to rounding would be returned after earnings are reported after the first of the year.)

When Wendy turns 67, her survivor benefit will be recalculated to credit back the reduction on those checks that were withheld. Her new benefit at FRA will be $2,644. This, of course, is lower than the $3,000 she would receive if she had waited until FRA to claim, but by claiming at 60, she received an additional $10,725 per year for seven years = $75,075. Dividing the $75,075 by the $356 difference in the two benefit amounts, we see that it would take 210 months, or 17 years, to break even (hence the 77 breakeven age). Since she will be switching to her own benefit at 70, there will not be enough time to break even on the delay.

Before advising Wendy to start the survivor benefit at 60 we would have confirmed that her own benefit at age 70 would be higher. We do this by dividing the $3,000 survivor benefit by 1.24. If her own PIA—that is, the FRA amount shown on her statement—is higher than $2,419, it means that if she files for it at age 70 her own benefit will be more than $3,000. Taking our advice, Wendy would have received $2,145 per month for five months out of the year ($10,725 for the year) from age 60 to 67, $2,644 per month from age 67 to 70, and $3,000 or more off her own record after age 70.

It will be very important to get this right. If Wendy's own benefit with delayed credits would never exceed the $3,000 survivor benefit—meaning the FRA amount shown on her statement is less than the $2,419—the opposite strategy would be called for. She would plan to apply for the full $3,000 survivor benefit at her FRA. She wants to maximize the higher benefit because this is the one that she will carry into her old age. As soon as she turns 62 she can file for her own reduced retirement benefit. Even if she's working and will have some of her checks withheld, the principle just discussed is the same: she might as well receive a few checks a year because she'll be switching to a different benefit long before the breakeven age.

If you have been widowed—or if you are divorced after more than ten years of marriage from someone who has died—talk to your financial advisor about strategies to maximize your Social Security benefits. Even if you are under FRA and still working, you may be able to receive a few checks a year.

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