

# Pensions and Survivor Benefits

If you are married when you retire, and either you or your spouse has a traditional defined-benefit pension, you will face some choices when you retire and apply for benefits. A **defined benefit pension plan** is a pension plan that promises a certain benefit at retirement, usually calculated through a formula based on a combination of years of service and amount of pay.

The following information will help you understand the choices and how they will affect your retirement benefit payments.



## What are Survivor's Benefits?

When you or your spouse retires, you will be asked to elect or choose the type of benefit that you want. A defined-benefit pension can be paid in different ways.

This Fact Sheet focuses on two types of benefits:

- ☒ **Single Life Benefit:** monthly payments based only on the pension-earner's expected lifetime, which means the benefits stop when that person dies.
- ☒ **Joint and Survivor Benefit:** monthly payments based on you and your spouse's lifetime. This means that should the pension-earner die first, the spouse will continue to receive **survivor's benefits** from your spouse's pension. The monthly payments are typically lower than a single life benefit but they are guaranteed to continue for the surviving spouse.

Legally the plan is required to pay a spousal benefit unless the spouse signs a Spousal Consent Form or waiver. The spouse of the pension-earner is required by law to sign this form if you choose not to receive survivor's benefits.

## Why is there a Spousal Consent Form?

A **survivor's benefit** is such an important benefit that you have to sign a **waiver or spousal consent form** in order to give up your right to your spouse's survivor benefits.

- ☒ The waiver is required by federal law as a way of letting you and your spouse know that the survivor would be left without any income from that pension if the benefit is waived.

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- ☒ Unfortunately, the law does not cover state and local government pensions.
- ☒ Be sure to read this form carefully. It can be confusing.
- ☒ **Once you have waived the benefit, the decision is final.** Don't sign away your rights unless you understand what you are giving up. There are stories of individuals who signed such forms without fully understanding what they were signing, only to find out after their spouse dies that they were no longer eligible to receive benefits from the pension. Never sign any forms without knowing exactly what it means.

*Don't sign away your rights unless you understand what you are giving up.*

## How Do My Choices Affect the Benefits?

- ☒ Sometimes you have a choice of whether the surviving spouse will receive 50% or 75% of your benefit. There may be other choices. If so, make sure you understand what they are.
- ☒ If you choose the survivor's benefit, it means that you will receive lower monthly benefits than the monthly benefits based on the pension-earner's lifetime alone. But, it guarantees a steady stream of income for two lifetimes – yours and your spouses.
- ☒ People are often tempted to select the lifetime benefit because it pays the highest monthly benefit – but remember it will be paid only while the pension-earning spouse is alive. Even if he or she dies the day after they retire without collecting a cent from the pension yet, there will not be payments made to the surviving spouse. If the pension includes retiree health benefits, these may stop too.
- ☒ Ask the pension plan administrator how much you would each get under each option or type of benefit that you can choose.

### **An Example:**

If your spouse has the pension and you both choose to receive that pension as a lifetime benefit, while your spouse is alive, you might receive \$1,600 a month in pension benefits. It would stop if/when your spouse dies.

Under a joint and survivor annuity, the benefit might be \$1,300 a month while your spouse is alive. However, if/when your spouse dies, your benefit would be \$650 a month for as long as you live.

## How Do You Decide Which Benefit to Choose?

Start by listing and adding up all of your sources of retirement income. Try using WISER's worksheet *Get Your Ducks in a Row* (available at [wiserwomen.org](http://wiserwomen.org)). Then estimate what your retirement expenses will be. This can help you and your spouse estimate how much retirement income you have and determine if you have enough to meet your needs. Knowing what benefits will be available to each of you as a widow or widower too can help you decide how important a survivor's benefit is to each of you.

Although it is said that an individual needs 75% of the income of a couple to cover basic needs, everyone is different. Think about your personal circumstances and decide how much each of you would need not only when you are both alive, but as a widow or widower too. Consider also how that might change if your health or other circumstances change.