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**Harmony Wealth
Strategies**

BUILDING AND SAFEGUARDING
YOUR FINANCIAL WORLD

Claiming Survivor's and Death Benefits





Claiming Survivor's and Death Benefits

What is it?

After the death of your spouse, you may be eligible to receive survivor's benefits and death benefits from government sources, from your spouse's employer, and from retirement plans.

Social Security benefits

Social Security survivor's benefits

If your spouse (or former spouse) was self-employed or employed in a job where he or she paid Social Security payroll taxes, you may be eligible to receive Social Security survivor's benefits. The following table illustrates the eligibility requirements for survivor's benefits:

Beneficiary	Age	Insured Status of Worker	Conditions That Must Be Met
Spouse (no dependent child)	60 or over (50 or over if disabled)	Fully insured	Has not remarried before age 60 (age 50, if disabled) unless subsequent marriage ended, and must have been married to worker at least nine months just before worker died (unless death was accidental or military-related), or be the parent of the worker's natural or adopted child
Spouse of worker (with dependent child who is entitled to child's benefits)	Any age	Fully or currently insured	Has not remarried unless subsequent marriage ended, and is not already eligible to receive a larger benefit in another category
Divorced spouse of worker (no dependent child)	60 or over (50 or over if disabled)	Fully insured	Has not remarried before age 60 (or if disabled, before age 50), unless subsequent marriage ended, and was married to worker for at least 10 years
Divorced spouse of worker (with dependent child entitled to child's benefits)	Any age	Fully or currently insured	Has not remarried (unless subsequent marriage ended) and is not already eligible for larger benefit in another category

How much you receive depends on your spouse's lifetime earnings, how many other members of your family are receiving benefits, and what beneficiary category you fit into.

Tip: *The amount of Social Security survivor's benefit you receive will be reduced (even to zero) if you have earnings over the annual exempt amount, unless you are disabled. If you are under normal retirement age, your Social Security benefit will be reduced by \$1 for every \$2 you earn over the annual exempt amount (in 2012, \$14,640).*

Social Security death benefit



If you were living in the same household as your spouse at the time of his or her death and your spouse was fully or currently insured for Social Security benefits, you may be entitled to receive a \$255 lump-sum death benefit from the Social Security Administration.

Who to contact for more information

Social Security benefits are not automatic; you must apply for them. Although the Social Security Administration (SSA) suggests that you apply for survivor's benefits in the month of your spouse's death, benefits may be paid retroactively. To apply for the death benefit, call the Social Security Administration (SSA) at (800) 772-1213 or contact your local SSA office.

Federal employees' survivor benefits

Federal Employees Retirement System (FERS) benefits

If your spouse or ex-spouse was a civilian federal employee covered by FERS, you may be eligible to receive a survivor's benefit. Benefits can be paid both to survivors of workers who die before retirement (whether employed by the government at the time of death or separated from government service but entitled to a deferred annuity) and to survivors of retirees (unless the retiree and his spouse elected not to pay for the survivor annuity). Benefits may be paid in the form of a monthly annuity, a lump-sum cash payment, or both, depending on how long the employee worked for the government and whether he or she was currently or formerly employed at the time of his or her death. The following table illustrates the eligibility requirements for FERS survivors' benefits:

Beneficiary	Age	Conditions
Surviving spouse of worker employed at time of death	Any age	Must have been married to employee for at least nine months or must be the parent of a child of the marriage, or employee's death must have been accidental
Surviving ex-spouse of worker employed at time of death	Any age	Must have been married to the employee for at least nine months, have not been remarried before age 55, and have a court order or approved settlement agreement providing that survivor annuity will be paid
Surviving spouse of retired worker	Any age	Must have been married to the employee for at least nine months or must be a parent of a child of the marriage, or the death of the retired employee was accidental and employee and spouse did not waive right to a survivor's annuity
Surviving ex-spouse of retired worker	Any age	Must have been married to worker for at least nine months, have not been remarried before age 55, and have a court order or approved property settlement agreement. These conditions can be waived if worker elected to provide his or her former spouse with an insurable interest annuity at the time he or she retired

Civil Service Retirement System (CSRS) benefits

If your spouse or ex-spouse was covered under CSRS, you may be eligible to receive a survivor's annuity paid until you die or remarry (unless you remarry after age 55). In general, eligibility requirements are the same as those under FERS, with one



notable exception. While a former spouse of a FERS employee separated from government service may be entitled to a survivor's annuity even if that employee dies before reaching retirement age, the former spouse of a CSRS employee will not be.

Survivor's benefits for state government employees

Some state employees are covered under retirement programs (similar to CSRS) that serve as alternatives to Social Security. Instead of paying Social Security taxes, they contribute a portion of their paychecks (matched by the government employer) to a money market fund or investment fund that grows until retirement and then is paid out in the form of an annuity. If your spouse was a state or local employee, check with his or her employer for information about survivor's benefits.

Social Security benefits may affect your FERS or CSRS benefit

Survivors' benefits you receive under FERS or CSRS may reduce (or be reduced by) benefits you receive from Social Security.

Who to contact

Contact the Office of Personnel Management (OPM), 1900 E Street NW, Washington DC 20415, or call (202) 606-1800 to locate your nearest regional office. You can also access information (including benefit handbooks) via the Internet at the OPM website (www.opm.gov).

Military servicemembers survivor's and death benefits

Death gratuity payments

Survivors of members of the military who have been killed while on active duty may receive a \$100,000 death gratuity payment fully tax free.

Burial-related expenses

Burial allowances are available to the survivors of servicemembers who die on active duty and to the survivors of some other veterans. The government provides free markers and headstones to some veterans, as well as some final honors such as flags, presidential certificates, and an honor guard. Almost all veterans are eligible for burial in a national cemetery.

Dependency and Indemnity Compensation (DIC)

Dependency and Indemnity Compensation (DIC) provides a monthly pension to widows, widowers, dependent children, and low-income parents of some deceased active duty servicemembers and some disabled veterans (if disability was service-related). Beneficiaries receive a fixed monthly benefit that usually increases annually with inflation. If you need nursing home care or are housebound, DIC will also pay you an extra benefit. Receiving money from DIC will decrease the amount that you receive from another benefit plan, the Survivor's Benefit Plan (SBP), but is not affected by (and does not affect) Social Security.

The Survivor's Benefit Plan (SBP)

The SBP provides a monthly lifetime annuity payment to qualified widows, widowers, dependent children, and some ex-spouses who are survivors of a retired military servicemember. A retired servicemember automatically is covered by the SBP when he or she retires after 20 years of service, but may elect reduced coverage or no coverage for his or her survivors, if his or her spouse concurs. The annuity you will receive as a survivor depends on the amount your spouse designated when he or she retired.

Death pension

Available to qualified survivors of low-income veterans, the death pension provides a fixed monthly benefit that usually increases annually with inflation. The amount of monthly benefit a survivor receives depends on the survivor's other income and whether other dependents reside with the survivor.

Educational assistance

Monthly educational assistance payments can be made to spouses and children of disabled veterans who die. These payments can help pay for college or university classes, secondary school programs, remedial education, apprenticeships, and other courses of study.



Home loans

The widow or widower of a servicemember who died on active duty or as a result of a service-connected illness or injury may qualify for a VA home loan to purchase a primary residence. The loan is issued by a financial institution but guaranteed by the federal government. The primary advantages of VA home loans are that they often require no down payment and, because the loan is partially guaranteed by the federal government, no mortgage insurance payments.

Federal job preference

Survivors of servicemembers who died on active duty or as a result of a service-connected disability may receive ten extra points on the results of a competitive examination for a federal job.

Health insurance

The spouse or dependent child of a veteran who died as a result of a service-connected disability or who died on active duty may purchase government-backed health insurance called CHAMPVA. This health insurance costs less than insurance available from private sources because it is government-subsidized.

Who to contact to apply for benefits

For information or to apply for benefits, call the Department of Veterans Affairs (VA) at (800) 827-1000 or contact your nearest VA office.

Qualified benefit plans and IRAs

Qualified benefit plans

When your spouse dies, call his or her employer or plan administrator to ask about what benefits may be payable to you. Your spouse may have contributed to one or more plans designed to provide retirement income, including profit-sharing plans, 401(k) plans, 403(b) plans, stock option plans, Keogh plans, and thrift/savings plans. He or she may also have assets in a traditional defined benefit pension plan that was funded entirely through employer contributions. Different rules surround different plans, but in general, qualified pension plans must provide both pre-retirement survivor annuities and post-retirement survivor annuities. This means that even if your spouse died before retirement and was not yet vested in a qualified pension plan, you may be entitled to receive a survivor annuity (or other payment form) unless you waived that right at some point.

IRAs

If your spouse owned an IRA and named you as the beneficiary, you have several options in taking funds from the IRA. Your options include taking the proceeds of the IRA as a lump-sum distribution or rolling them over to your own IRA. If you elect a lump-sum distribution of your spouse's IRA, you will not owe the normal 10 percent premature withdrawal penalty tax, even if you are under age 59½. However, if the funds come from a traditional IRA, the amount you receive will generally be included in your taxable income (qualifying distributions from Roth IRAs are tax free). Rolling over the IRA proceeds to your own IRA provides you with a great deal of flexibility and control. You can name your own beneficiary or beneficiaries, and can postpone taking distributions (distributions from traditional IRAs, though, generally must begin after age 70½). You should weigh your options carefully, using your income needs, expected return on investments, and tax consequences as a guide.

Questions & Answers

Does the former spouse of a federal employee who died while employed under FERS have any claim to his or her pension benefits?

Possibly. It depends on the terms of the divorce. A former spouse may have been awarded a court-ordered survivor's annuity or may have the rights to an insurable interest annuity if his or her former spouse elected to provide one. He or she may also be eligible for Social Security survivor's benefits based on the Social Security earnings record of his or her former spouse.

What should you do if you receive Social Security checks in your spouse's name after his or her death?



Don't cash them. The law requires that these checks be returned. Send them back to the Social Security Administration right away. For information on the procedure to follow, call the SSA at (800) 772-1213.

If you are already receiving Social Security benefits and your spouse dies, how will your spouse's death affect your benefit?

An individual entitled to Social Security benefits may be eligible to receive a greater benefit as a widow than he or she would as a retiree. If so, then his or her Social Security benefit may be adjusted automatically.

IMPORTANT DISCLOSURES

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