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## Social Security Spousal Benefits Still Unfair

By Eugene Steuerle     Thu, Nov 5, 2015

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*The recent closure of the "file and suspend" loophole as a Social Security claiming strategy doesn't make spousal and survivor benefits under the program any less unfair, writes this Urban Institute scholar and former deputy assistant secretary of the Treasury.*

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The [budget compromise](#) forged by Congress and the Obama administration at the end of last month makes two fundamental changes in Social Security. First, it denies a worker the opportunity to take a spousal benefit and simultaneously delay his or her own worker benefit. Second, it stops the “file and suspend” technique, where a worker files for retirement benefits then suspends them in order to generate a spousal benefit.

Unfortunately, neither of these changes gets to the root issue: that spousal and survivor benefits are unfair, although the reform redefines who wins and who loses. Social Security spousal and survivor benefits are so peculiarly designed that they would be judged illegal and discriminatory if private pension or retirement plans tried to implement them. They violate the simple notion of equal justice under the law. And as far as the benefits are meant to adequately support spouses and dependents in retirement, they are badly and regressively targeted.

As designed, spousal and survivor benefits are “free” add-ons: a worker pays no additional taxes for them. Imagine you and I earn the same salary and have the same life expectancy, but I have a non-working spouse and you are unmarried. We pay the same Social Security taxes, but while I am alive and retired, my family’s annual benefits will be 50 percent higher than yours because of my non-working spouse’s benefits. If I die first, she’ll get years of my full worker benefit as survivor benefits.

Today, spousal and survivor benefits are often worth hundreds of thousands of dollars for the non-working spouse. If both spouses work, on the other hand, the add-on is reduced by any benefit the second worker earns in his or her own right.

An historical artifact, spousal and survivor benefits were based on the notion that the stereotypical woman staying home and taking care of children needed additional support. That stereotype was never very accurate. And today a much larger share of the population,

including those with children, is single or divorced. Plus, many people have been married more than once, and most married couples have two earners who pay Social Security taxes.

Where does the money for spousal and survivor benefits come from? In the private sector, a worker pays for survivor or spousal benefits by taking an actuarially fair reduction in his or her own benefit. In the Social Security system, single individuals and married couples with roughly equal earnings pay the most:

- Single people and individuals who have not been married for 10 years to any one person pay for spousal and survivor benefits, but don't get them. This group includes many single heads of households raising children.
- Couples with roughly equal earnings usually gain little or nothing from spousal and survivor benefits. Their worker benefit is higher than any spousal benefit, and their survivor benefit is roughly the same as their worker benefit.

The vast majority of couples with unequal earnings fall between the big winners and big losers.

Such a system causes [innumerable inequities](#):

- A poor or middle-income single head of household raising children will pay tens of thousands of dollars more in taxes and often receive tens of thousands of dollars fewer in benefits than a high-income spouse who doesn't work, doesn't pay taxes and doesn't raise children.
- A one-worker couple earning \$80,000 annually gets tens of thousands of dollars more in expected benefits than a two-worker couple with each spouse earning \$40,000, even though the two-worker couple pays the same amount of taxes and typically has higher work expenses.
- A person divorcing after nine years and 11 months of marriage gets no spousal or survivor benefits, while one divorcing at 10 years and one month gets the same full benefit as one divorcing after 40 years.
- In many European countries that created benefit systems around the same stereotypical stay-at-home woman, the spousal benefits are more equal among classes. In the United States, spouses who marry the richest workers get the most.
- One worker can generate multiple spousal and survivor benefits through several marriages, yet not pay a dime extra.
- Because of the lack of fair actuarial adjustment by age, a man with a much younger wife will receive much higher family benefits than one with a wife roughly the same age as him.

When Social Security reform eliminated the earnings test in 2000 and provided a delayed

retirement credit after the normal retirement age, some couples figured out ways to get some extra spousal benefits (and sometimes child benefits) for a few years. After the normal retirement age (today, age 66), they weren't "deemed" to apply for worker and spousal benefits at the same time, allowing them to build up retirement credits even while receiving spousal benefits. Other couples, through "file and suspend," got spousal benefits for a few years while neither spouse received worker benefits.

These games were played by a select few, although the numbers were increasing. Social Security personnel almost never alerted people to these opportunities and often led them to make disadvantageous choices. Over the years, I've met many highly educated people who are totally surprised by this structure. Larry Kotlikoff, in particular, has formally provided advice through [multiple venues](#).

So is tightening the screws on one leak among many fair? It penalizes both those who already have unfairly high benefits and those who get less than a fair share. It reduces the reward for game playing, but like all transitions, it [penalizes those who laid out retirement plans based on this game being available](#). It cuts back only modestly and haphazardly on the long-term deficit. As for the single parents raising children — perhaps the most sympathetic group in this whole affair — they got no free spousal and survivor benefits before, and they get none after.

The right way to reform this part of Social Security would be to first design spousal and survivor benefits in an actuarially fair way. Then, we need better target any additional redistributions on those with lower incomes or higher needs in retirement, through minimum benefits and other adjustments that would apply to all workers, whether single or married, not just to spouses and survivors.

As long as we keep reforming Social Security ad hoc, we can expect these benefit inequities to continue. I fear that the much larger reform required to restore some long-term sustainability to the system will simply consolidate a bunch of ad hoc reforms and maintain these inequities for generations.

*This column originally appeared on [PBS Newshour's Making Sense](#).*