

Social Security and Today's Mother

What mothers don't know about Social Security can hurt them

by *kristin maschka*

On October 15, 2000, I walked away from a half million dollars in Social Security retirement income. That's the day my daughter was born and the day I left the workforce to care for her.

Moms are busy people, and learning about the intricacies of the Social Security program usually doesn't even make it onto their to-do lists, for many reasons: "I've got a long time to plan for my retirement." "Oh, my husband handles all the long-term financial planning." "I'm a mom. I don't have time to learn about a complicated subject like Social Security." Sound familiar?

Few mothers take the time to look at how their caregiving responsibilities impact their Social Security eligibility and benefits. But if you understand the basics about how Social Security works, you can act to maximize your benefits, compensate for gaps in the program, and better analyze various reform proposals.

Here's the deal. When you work for pay, you earn Social Security credits. If you earn enough of them, you will be eligible for various parts of the program including retirement benefits. Once you are eligible for retirement benefits, the amounts are then calculated using earnings over your lifetime. If you don't have enough credits or earn less than your spouse, you can also choose to take a sum equal to half of your spouse's benefit at retirement.

Do you know where you stand? As complex as Social Security is, it's easy to learn enough to make a big differ-

ence. And it's worth the effort because what you don't know can hurt you later.

How many credits do you have?

The first basic in understanding your benefits is your admissions ticket—credits. You earn credits toward Social Security eligibility when you work and pay Social Security taxes on your earnings. In 2003, you receive one credit for every \$890 you earn, up to a maximum of four credits per year. Anyone of working age today needs 40 credits to be eligible for retirement benefits based on her own earnings rather than her spouse's. Typically, that means working full time for 10 years.

Credits also play a role in other Social Security benefits. The program includes survivor's benefits, Medicare, and disability benefits. Each of these has specific credit requirements. Knowing where you stand on Social Security's other benefits is as simple as requesting a statement and can give you some peace of mind. You should receive an annual statement around your birthday or you can request one at www.ssa.gov or by calling 1-800-772-1213.

Depending on your specific situation, you may want to consider working enough to earn 40 credits toward retirement. Credits can also be earned through a home-based business as long as you pay the appropriate Social Security taxes on your income.

Some things to check when your statement arrives:

- Whether or not you or your spouse is currently eligible for survivor's benefits if the other dies. Your Social Security statement will tell you whether you have



earned enough credits for your family to receive benefits upon your death.

- Whether or not you are currently eligible for Medicare Hospital Insurance. Your Social Security statement will tell you whether you have earned enough credits to be eligible on your own work record. For the second component, almost anyone 65 and over is eligible for Medicare Medical Insurance by paying a monthly premium.
- Whether or not you are currently eligible for disability benefits and what it would take to remain or become eligible. Your statement will tell you if you are currently eligible and how much your monthly benefit would be. No one offers disability insurance for unpaid workers so Social Security is one of the only ways for mothers out of the workforce to be covered for disability. Most workers need 20 credits earned in the 10 years immediately before they become disabled to be eligible for Social Security's disability benefits.

How much money will you lose?

After credits, the next basic Social Security component to understand is how your retirement benefits are calculated and how leaving the workforce or cutting back on work impacts those benefits. Once you earn 40 credits, your monthly retirement benefit is calculated using your 35 highest earning years. These earnings numbers are tweaked and massaged by the Social Security Administration accountants to factor for various things, but the bottom line is the higher your earnings, the higher your monthly retirement benefit.

Of course, the reverse is also true—the lower your lifetime earnings, the lower your monthly retirement benefit. Unfortunately, mothers have the lowest lifetime earnings. While the wage gap between men and women has narrowed, the wage gap between mothers and everyone else has widened. When they compared the earnings of people who have never had children, the National Longitudinal Survey of Youth found that women's earnings approach 98% of men's earnings. There is virtually no wage gap between childless men and childless women.

On the other hand, mothers who work full time earn 73% or less of the wages their male counterparts earn, whether or not they are fathers. And then there are the two-thirds of all mothers who are working part time or who are out of the workforce who earn even less. The result is a wage gap between mothers and everyone else that is big and getting bigger.

“Women depend on Social Security benefits longer and are more likely to run out of other retirement assets and depend solely on these benefits.”

Although the gap is projected to narrow, women are expected to continue to work fewer years over their lifetimes. Men who work the median 38 years have no trouble posting earnings in the 35 years used by the Social Security Administration to calculate monthly retirement benefits. In fact, they can drop their three lowest-earning years. On the other hand, mothers who work the median 29 years will have six zero years averaged into their calculations. As Ann Crittenden, author of *The Price of Motherhood*, observes, “The biggest injustice for women in the Social Security system is that it simply doesn't consider their work as mothers as work. Raising a child, who will grow up to support the Social Security system in the future, does not count as a contribution to the system. You earn a zero for every year you spend raising your own child.”

Mothers take another hit because they are more likely to work part time. More than 40% of mothers work part time, meaning less than 40 hours a week. In 1998, 67.5% of all part-time workers were women. Not only do part-time workers earn less because they are working less, they also earn proportionately less. On average, part-time workers earn 40% less per hour for the same work as full-time workers.

Finally, even when they work full time, mothers earn less than everyone else does. Mothers are more likely to avoid jobs which require substantial overtime and more likely to take lower-paying jobs with regular hours and flexibility.

The decreased earnings for all these reasons create a benefit disparity, which would seem to be disturbing enough all by itself. But it's compounded by the happy reality that women live longer than men do. What's the downside of living an average of three and a half years longer than men live? Women depend on Social Security benefits longer and are more likely to run out of other retirement assets and depend solely on these benefits. It's not hard to see why the poverty rate for elderly women is nearly twice that of elderly men.

In spite of the potential for huge financial impact, Social Security is rarely one of the host of factors families consider when making decisions about balancing work and family. For the sake of your family's finances and your financial health in old age, it pays to understand how your work patterns will impact your benefits so you can consider both short-term and long-term impacts.

The retirement age for those born in 1960 or later is 67. Check your Social Security statement. How many potential earning years do you have between the time you started working and age 67? How many years do you have where you could afford to leave the workforce or cut back on your paid work and still have 35 years of high earnings?

When you plan for retirement, be sure to include realistic estimates of your Social Security benefits based on reasonable assumptions about your work patterns.

What's a spouse worth?

Another basic building block of Social Security is the spousal benefit. At retirement age, you can choose to claim 100% of the benefits based on your own work record or 50% of the benefits your spouse has earned. For married women who have not worked for pay at all or very little, 50% of their spouse's benefits serves to compensate them for years of unpaid caregiving work.

For mothers who do work enough to claim benefits on their own record, they often find that they are still better off taking 50% of their husband's benefit because they have earned significantly less than their spouse. In fact, although men are also eligible to take the spousal benefit, today 63% of women claim the spousal benefit while only 1.2 % of men do. Many mothers who work get no added

“Even if you are working part time or are out of the workforce, consider contributing to a retirement plan in your own name.”



benefit from the Social Security taxes they pay, because they end up claiming the spousal benefit anyway.

To make matters worse, you must be married for 10 years in order to qualify for benefits on your spouse's work record. Since the average length of a marriage today is seven years, this 10-year requirement leaves many mothers high and dry. A woman who divorces after nine years of cutting back or staying at home to care for the children of a high-earning spouse, can find herself with no eligibility for Social Security benefits to reward that unpaid work.

Even if you do divorce after 10 years, you face the prospect of getting decreased benefits. If you remain married, he claims 100% and you claim 50% of his benefits—in effect providing you each with 75% of his benefits. After a divorce, you get the 50% benefit and he gets the 100%. To add insult to injury, in a divorce, most state laws do not allow the courts to award a spouse additional assets in order to compensate for this loss of Social Security income.

The spousal benefit does work well for many mothers, but you need to understand it to know how it impacts you. For example, if you'll be claiming the spousal benefit anyway, it won't make sense to work solely for the purpose of gaining your own Social Security benefits. On the other hand, with the realities of divorce today, it does make sense to understand how divorce impacts your benefits.

Consider the spousal benefit calculation when making decisions about working for pay and planning for retirement. Review both spouses' Social Security statements together.

Even if you are working part time or are out of the workforce, consider contributing to a retirement plan in your own name.

How will this impact your decisions?

When I took the time to look at the impact on my benefits, I used the Social Security Administration's own calculators on their website to look at two scenarios. In one, I assumed that I continued to work full time in my same line of work until retirement without interruption. In the other, I assumed that I left the workforce for seven years to care for my daughter and then reentered full time. Leaving the workforce for seven years cost me \$2,000 a month in retirement benefits. Assuming I live to be 87, that's nearly half a million dollars.

Looking back, the half million I unknowingly walked away from the day my daughter was born wouldn't have changed our decision about her care. There are so many personal and practical things that go into that decision for



each family. But I do wish we had known to consider these factors. I have now figured out that I can stay out of the workforce or cut back for up to five years and still have 35 years of high earnings on record and that will influence our next decision about my work.

Kristin Maschka originally wrote this article for an on-line writing course when her daughter was 3 months old. The writing course was her intellectual outlet until Mothers & More came along! Two and a half years later, she now serves as the president of Mothers & More and is happy to see this article finally published! She lives in Pasadena, CA, with husband David and nearly 3-year-old Kate.

Find Out More

Mothers can't afford to ignore the workings of Social Security. There are several ways to learn more:

www.ssa.gov

The Social Security Administration's central website.

www.ssa.gov/women

The Social Security Administration's own website for women.

1-800-772-1213

Social Security's toll-free number for questions or to find a local office.

<http://www.women4socialsecurity.org>

The National Council of Women's Organizations website on Social Security.

<http://csss.gov>

The website for President Bush's Commission to Strengthen Social Security.