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CRS Report for Congress

Social Security: Brief Facts and Statistics

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SOCIAL SECURITY: BRIEF FACTS AND STATISTICS

SUMMARY

This document provides brief facts and statistics about social security that are frequently requested by Members of Congress and their staffs. It includes information about social security taxes and benefits, the program's impact on its recipients' incomes, Federal tax receipts, Federal spending and the economy, administrative information, and selected facts about Medicare.

CONTENTS

SOCIAL SECURITY: BRIEF FACTS AND STATISTICS

HOW TO USE THIS DOCUMENT

This document provides facts and statistics about social security that are frequently requested by members of Congress and their staffs. Its purpose is to provide quick answers to basic questions about the program. It should not be treated as a guide to social security. The reader is advised to consult other publications for explanations of how eligibility and benefits are determined and how the program is financed. Among them is a pamphlet published annually by William M. Mercer Inc., entitled *Guide to Social Security and Medicare* (which is contained in the Congressional Research Service (CRS) Info Pack IP 153S, *Social Security: An Introduction*). The Social Security Administration (SSA) also issues numerous pamphlets on the various aspects of the program as well as a lengthy *Handbook on Social Security.* For other possible sources that provide data and basic descriptive material, see the references listed at the end of this document.

This document is updated periodically.

RECIPIENT STATISTICS

Recipients *(as of February 1993)* 41.6 million 100.0%

Old-Age and Survivors Insurance	36.6 million	88.1%
Disability Insurance	5.0 million	11.9%
Entitled on their own work records	29.3 million	70.4%
Entitled as dependents	12.3 million	29.6%
Widows(ers) and surviving parents	(5.5) million	(13.2)%
Wives/husbands	(3.4) million	(8.2)%
Children	(3.4) million	(8.2)%
(as of December 1992)		
Age 65 or older	30.5 million	73.4%
Under age 65	11.1 million	26.6%

Where Recipients Live *(as of December 1991)*

	Number	*% of total*
Total	40,571,290	100.0%
Alabama	722,030	1.8
Alaska	35,470	0.1
Arizona	608,920	1.5
Arkansas	472,940	1.2
California	3,737,710	9.2
Colorado	434,310	1.1
Connecticut	534,460	1.3
Delaware	108,450	0.3
District of Columbia	78,480	0.2
Florida	2,727,810	6.7
Georgia	905,320	2.2
Hawaii	151,390	0.4
Idaho	161,060	0.4
Illinois	1,771,680	4.4
Indiana	919,350	2.3
Iowa	526,840	1.3
Kansas	413,700	1.0
Kentucky	658,300	1.6
Louisiana	662,860	1.6
Maine	218,170	0.5

(continued on next page)

RECIPIENT STATISTICS--*continued*

Where Recipients Live *(as of December 1991)--continued*

	Number	*% of total*
Maryland	624,800	1.5%
Massachusetts	989,250	2.4
Michigan	1,514,690	3.7
Minnesota	676,750	1.7
Mississippi	459,290	1.1
Missouri	922,240	2.3
Montana	142,060	0.4
Nebraska	271,560	0.7
Nevada	177,890	0.4
New Hampshire	166,940	0.4
New Jersey	1,242,420	3.1
New Mexico	226,510	0.6
New York	2,867,590	7.1
North Carolina	1,111,110	2.7
North Dakota	112,320	0.3
Ohio	1,827,270	4.5
Oklahoma	538,560	1.3
Oregon	508,530	1.3
Pennsylvania	2,264,790	5.6
Rhode Island	184,110	0.5
South Carolina	558,410	1.4
South Dakota	130,490	0.3
Tennessee	845,500	2.1
Texas	2,249,080	5.5
Utah	197,540	0.5
Vermont	89,770	0.2
Virginia	856,650	2.1
Washington	728,380	1.8
West Virginia	373,050	0.9
Wisconsin	849,870	2.1
Wyoming	64,160	0.2
Other U.S. areas:		
American Samoa	3,960	*
Guam	5,680	*
Puerto Rico	569,940	1.5
Virgin Islands	9,930	*
Foreign countries	345,640	0.9
Unknown	15,320	*

*Less than 0.1%.

TAX FACTS

Social Security Taxpayers for 1993 *(estimated from 1993 Trustees' report)*

Number of wage and salaried taxpayers*	127.4 million
Number of self-employed taxpayers	13.0 million
Total taxpayers**	135.0 million

* Includes self-employed people who also work as wage or salaried employees.
** An additional 4.5 million people pay only the hospital insurance (HI) portion of the tax (see tax rates below).

Social Security Tax Rates

FICA = Federal Insurance Contributions Act
SECA = Self-Employment Contributions Act

FICA rate is paid by employee and employer:	7.65% each
SECA rate is paid by self-employed:	15.30%*

*The self-employed now compute the tax using only 92.35% of net earnings, and one-half of the tax so computed is deductible for income tax purposes.

How the Tax Rates Are Divided

	FICA rate (employee/employer, each)	*SECA rate*
Old-age, survivors and disability insurance (OASDI)	6.20%	12.4%
Hospital insurance (HI)	1.45	2.9
Total (OASDI and HI)	7.65%	15.3%

How Much Earnings Are Taxable

	1991	*1992*	*1993*
Maximum taxable for OASDI	$ 53,400	$ 55,500	$ 57,600
Maximum taxable for HI	125,000	130,200	135,000
Percent of workers with earnings below OASDI maximum *(estimated for 1990)*			94%

TAX FACTS--*continued*

Annual OASDI and HI Tax Payments in 1993

Earnings level		*FICA**	*SECA***
1/2 of national average	($11,869/year)	$ 908	$1,442
Average	(23,432/year)	1,793	2,847
Maximum taxable	(***)	5,529	9,344

* Employee share only.
** Net of income tax deduction assuming self-employed worker is in the 28% marginal bracket (31% for maximum earner).
*** $57,600 for OASDI; $135,000 for HI.

Historical Level of Taxes

	FICA[a]	*SECA*	*Maximum taxable earnings*[b]
1940	1.0%	---	$ 3,000
1950	1.5	---	3,000
1960	3.0	4.5%	4,800
1970	4.8	6.9	7,800
1980	6.13	8.1	25,900
1993	7.65	15.3	57,600

	Amounts paid			
	Average earner		*Maximum earner*	
	FICA[a]	*SECA*	*FICA*[a]	*SECA*
1940	$ 12	---	$ 30	---
1950	38	---	45	---
1960	120	$ 180	144	$ 216
1970	297	427	374	538
1980	767	1,014	1,588	2,098
1992	1,737	2,759[c]	5,329	9,006[c]
cumulative 1949-92:[d]				
	$74,942	$107,452	$132,597	$197,637

[a] Employee share only.
[b] These base amounts were the same for both OASDI and HI through 1990. A higher base for HI became effective in 1991 (see bottom table on page 4).
[c] Net of income tax deduction assuming self-employed worker is in the 28% marginal bracket (31% for maximum earner).
[d] With hypothetical interest compounded at rates of long-term Treasury issues. Assumes a 44-year career that began at age 21 and ended at age 65. For self-employed, cumulative 1951-92.

TAX FACTS--*continued*

Workers Exempt From the Tax

State and local government workers participating in alternative retirement systems of their employers (HI tax is mandatory for State and local government workers hired since April 1, 1986).

Career Federal employees hired before 1984 who did not choose social security coverage (HI tax is mandatory for all Federal workers).

College students working at their academic institutions.

Ministers who choose not to be covered, and certain religious sects.

Self-employed workers with annual net earnings below $400.

Household workers earning less than $50 per quarter.

How Long It Takes To Get Your Taxes Back

Time it takes to recover retirement portion of tax with interest:*

	Employee share alone	*Employee/employer shares combined*
Minimum wage earner	3.5 years	7.3 years
Average earner	4.8 years	10.2 years
Maximum earner	6.1 years	13.4 years

*Assumes worker retired in January 1993 at age 65 after having worked steadily since age 21. The "retirement portion" of the tax is approximate since the law does not actually isolate the old age portion. Medicare benefits and taxes are excluded from the figures. Interest assumed to be equal to rates that accrue on Government securities with 4-year or longer maturities.

Taxpayers Per Recipient

1950	16.5 to 1
1993 (projected)	3.2 to 1
2030 (projected)	2.1 to 1
2060 (projected)	1.9 to 1

BENEFIT FACTS

Average Benefits *(monthly payment)*

	Before Jan. 1993 COLA*	After Jan. 1993 COLA*
For all retired workers	$ 634	$ 653
For all disabled workers	608	627
For retired worker and spouse	1,074	1,106
For aged widow(er) alone	590	608
For widowed mother/father and two children	1,250	1,288
For disabled worker, spouse, and child	1,045	1,076

*Cost-of-living adjustment.

New Benefits to Workers Retiring in 1993

	At age 62	*At age 65*
Minimum wage earner	$424	$ 534
Average earner	651	819
Maximum earner	893	1,128

"Quarters of Coverage" (QCs) Required for Eligibility

Earnings needed to obtain QC in 1993	$590
Maximum QCs that can be credited in any year	4
Maximum QCs needed for retirement or survivor benefits*	40
Maximum QCs needed for disability benefits*	40, with 20 earned during 40-quarter period before disability began
Minimum QCs needed for any type of benefit	6

*Generally, QC requirements vary with age.

BENEFIT FACTS--*continued*

Maximum Earnings From Work Permitted for Disability Benefits

(i.e., "substantial gainful activity" level)	$500/month

Minimum Ages To Receive Benefits

For retired worker and spouse	62
For widow/widower	60
For disabled widow/widower	50
For mother/father caring for child under age 16 ..	any age
For child	any age up to 18 (19, if in high school)
For disabled worker	any age up to 65

Benefit Formula
(applies to workers who reach age 62 or who become disabled or die before age 62 in 1993)

For basic benefit (or primary insurance) amount:*

90% of first $401 of AIME,** plus
32% of AIME over $401 through $2,420,
15% of AIME over $2,420

For maximum family benefit:

150% of first $513 of basic benefit, plus
272% of basic benefit over $513 through $740, plus
134% of basic benefit over $740 through $966, plus
175% of basic benefit over $966

*Without adjustment for early or delayed retirement or other factors.
**AIME = average indexed monthly earnings.

BENEFIT FACTS--*continued*

New Benefit Awards as Percent of Final Year's Earnings
(new retiree age 65 in 1993)

Minimum wage earner	72%
Average	43
Maximum	24

Benefit Reductions and Offsets

Earnings test *(applies only to earnings from work)*:

	1993 exempt amounts	*Benefit reduction rate for earnings above exempt amounts*
Under age 65	$7,680	50%
Age 65-69	$10,560	33.3%
70 and older	all earnings	none

Spousal dual entitlement limitation: $1 reduction in spousal benefit for $1 of benefits earned as a worker.

Government pension offset: $0.67 reduction in spousal benefit for $1 of pension received from government employment not covered by social security.

Windfall reduction: 40 percent factor is used as first step of benefit formula (instead of 90 percent), if worker receives pension from government employment not covered by social security and has less than 21 years of substantial social security coverage.*

*Factor is larger if worker has 21 or more years of substantial coverage.

BENEFIT FACTS--*continued*

Social Security Benefits May Be Partially Taxable*

Up to one-half of benefits are subject to Federal income taxes if adjusted gross income _plus_ tax free interest _plus_ one-half of social security benefits exceeds:

$25,000 for single person
$32,000 for married couple filing jointly**

Example:

Single retiree's adjusted gross income	$23,000
One-half of retiree's social security benefits	+4,000
Interest from tax free municipals	+1,000
Total	$28,000
Less: exempt amount	-25,000
Excess over $25,000	$ 3,000
Amount of taxable social security benefits	$ 1,500

(1/2 of excess or 1/2 of benefits, whichever is lower)

* As of this writing, the House and Senate had passed versions of the Omnibus Budget Reconciliation Act of 1993 (H.R. 2264), which contain provisions to increase the taxable portion of social security benefits. The two bills do so in different ways. In July 1993 a conference committee was to resolve the issue.
** There is no exemption level for married couples filing separately.

Social Security Benefit Increases

Jan. 1993	3.0%	July 1978	6.5%
Jan. 1992	3.7	July 1977	5.9
Jan. 1991	5.4	July 1976	6.4
Jan. 1990	4.7	July 1975*	8.0
Jan. 1989	4.0	Apr.-July 1974**	11.0
Jan. 1988	4.2	Oct. 1972	20.0
Jan. 1987	1.3	Feb. 1971	10.0
Jan. 1986	3.1	Feb. 1970	15.0
Jan. 1985	3.5	Mar. 1968	13.0
Jan. 1984	3.5	Feb. 1965	7.0
July 1982	7.4	Feb. 1959	7.0
July 1981	11.2	Oct. 1954	13.0
July 1980	14.3	Oct. 1952	12.5
July 1979	9.9	Oct. 1950	77.0

*Automatic cost-of-living adjustments (COLAs) began.
**Provided in two steps.

ECONOMIC FACTS

Pre-Tax Family Income of Aged Social Security Recipients *(1991)*

	% of recipients in income group	*% of social security $s going to income group*
Aged recipients (including those living alone) with family incomes:		
under $10,000/year	21.4%	17.3%
from $10,000-$29,999/year	50.6	53.7
from $30,000-49,999	16.6	17.6
above $50,000/year	11.4	11.4
	100.0%	100.0%

Percent of recipients' aggregate family income derived from:

social security	36.5%
other retirement systems	15.4
interest, dividends, rents	20.9
from earnings	22.1

	Recipients living alone	*Recipients living in families*
With incomes below poverty line	23.6%	5.1%
With 100% of income from social security	15.4	5.1
With 50% of income from social security	66.8	45.3

Social Security's Share of Federal Tax Receipts and Spending, FY 1992

	Share of outlays	*Share of receipts*
Social security	20%	28%
Medicare	9%	7%

ECONOMIC FACTS--*continued*

Social Security and Medicare Spending as Percent of Gross Domestic Product (GDP) *(estimated CY 1993, from 1993 Trustees' report, issued April 1993)*

Social security	4.92%
Medicare	2.43
Total	7.35

Financial Status of Trust Funds *(1993 Trustees' report)*

Income and outgo of social security trust funds:

CY	*Income*	*Outgo*	*Benefits portion of outgo*	*Balance of trust funds (end of year)*
	(intermediate forecast, $s in billions)			
1993	$356	$309	$306	$378
1994	386	326	323	439
1995	408	343	340	503
1996	433	362	359	574
1997	457	382	379	649

Estimated high point of trust funds' build-up: .... $5 trillion in 2024

Long-range projected condition of social security trust funds:

	Average 75-year surplus (+) or deficit (-) as % of program costs
Optimistic forecast	+9.7%
Intermediate forecast	-10.0
Pessimistic forecast	-27.1

Estimated year of insolvency (intermediate forecast):

Old-Age and Survivors Insurance Trust Fund	2044
Disability Insurance Trust Fund	1995
Combined	2036

ADMINISTRATIVE INFORMATION

Offices, Employees, and Administrative Costs

Location of SSA headquarters: Baltimore, Maryland

Number of:	District offices	1,298
	Hearings offices	132
	Teleservice centers	37
	Program service centers	7
	Data operations centers	3

Number of SSA employees:
(FY 1993 full-time equivalents, estimated) 64,000

Administrative costs of social security:* $2.8 billion

Administrative costs as percent of benefit costs: 0.9%

*Estimated for 1993, excluding Medicare and Supplemental Security Income (SSI).

800 Telephone Number for SSA: 800-772-1213

Acting Commissioner of Social Security:

Louis Enoff
Altmeyer Building
6401 Security Blvd.
Baltimore, MD 21235

Secretary of Health and Human Services:

Donna E. Shalala
Hubert Humphrey Bldg.
200 Independence Ave., S.W.
Washington, DC 20201

SELECTED MEDICARE FACTS FOR 1993

Part A (Hospital Insurance)

Inpatient hospital deductible:		$676 per benefit period*
Coinsurance:	first 60 days	none
	60-90 days	$169 per day
	91-150 days**	$338 per day
	after 150	no benefits
Skilled nursing facility coinsurance:		
	first 20 days	none
	21-80 days	$84.50 per day
	after 100	no benefits
Premium "buy-in" for uninsured:		$221 per month

* This is *not* an annual deductible. A new benefit period can begin 60 days after discharge from a hospital or skilled nursing facility.
** These are so-called "lifetime reserve" days beyond which Medicare inpatient coverage is not available during a benefit period.

Part B (Supplementary Medical Insurance (SMI))

Deductible	$100 per year
Coinsurance	20%
Part B premium	$36.60 per month

SELECTED MEDICARE FACTS FOR 1993--*continued*

Financial Status of Trust Funds *(1993 Trustees' report)*

Long-range projected condition of HI trust fund:

	Average 75-year surplus (+) or deficit (-) as % of program costs
Optimistic forecast	-41%
Intermediate forecast	-64
Pessimistic forecast	-82

Estimated year of HI insolvency (intermediate forecast): 1999

SMI: Projected to be solvent throughout 1993. No long-range evaluation is made by trustees since premiums and Government contributions are adjusted annually under current law.

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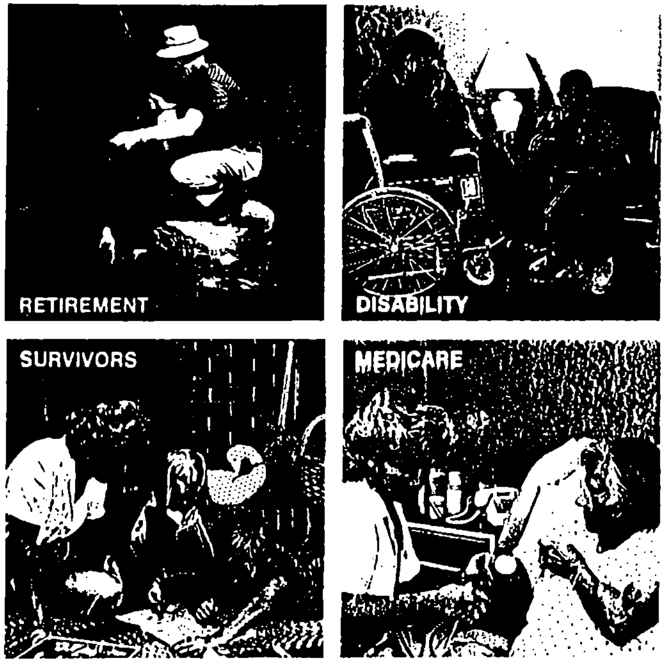
1993 Guide to SOCIAL SECURITY and MEDICARE

21st Edition



A simple explanation with easy-reference benefit tables.

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This booklet is revised annually.

Are You Missing Out?

Social Security and Medicare will pay $451 billion in benefits in 1993, most of it tax free. If you aren't one of the 41 million persons getting benefits each month, you probably **are** one of the 134 million working under Social Security who can expect to receive benefits later.

If you think Social Security is just for retirement, look again. Less than half of that $451 billion in benefits will be paid in monthly benefits to retired workers. The rest will be paid to disabled workers; to the families of workers who have retired, become disabled, or died; and for medical expenses under Medicare.

You and your employer are paying for most of those benefits right now. It could be as much as $5,529 each in 1993. The self-employed pay both halves of the tax. Many families pay more Social Security and Medicare payroll taxes than federal income taxes.

Social Security taxes have increased, but so have benefits. The maximum retirement benefit at age 65 has doubled since 1980.

Social Security is the most important financial protection plan in the country. Any time that your income is affected by a significant event — retirement, severe disability, or death — Social Security could pay substantial benefits, which increase with the cost of living.

We've written this booklet to tell you in simple, practical terms what you need to know about Social Security and Medicare:

- what they **cost** you and your employer,
- what **types of benefits** they provide,
- **how much** you get,
- **when** you get it, and
- how to **make sure** you get it.

Social Security. You're paying for it today. It could be your main source of income tomorrow, if you know what to do and when to do it. Don't miss out. Read this booklet.

You can't afford **not** to!

Recent Changes

New rules for 1993 result from automatic changes that occur annually and those based on past legislation. Only significant changes that might affect you or your family are explained here. Most are discussed in more detail in the text of this booklet on the pages indicated.

- The maximum earnings on which you pay taxes increases from $55,500 to $57,600 for Social Security and from $130,200 to $135,000 for Medicare (page 6)
- The cost-of-living increase in benefits for December 1992 is 3.0% (pages 5, 11, 14, 22, 28, 30, 47)
- The earnings limitation for beneficiaries under age 65 increases from $7,440 to $7,680; for beneficiaries at ages 65-69, the increase is from $10,200 to $10,560 (page 18)
- If you turn 65 in 1992 or 1993, the delayed retirement credit is 4% for each year that you delay receiving your benefits (page 16)
- The Medicare Part A deductible increases from $652 to $676. After 60 days in a hospital, you must pay $169 per day for 30 days, and then $338 per day for 60 "lifetime reserve" days (pages 37-38)
- The Medicare Part B monthly premium rises from $31.80 to $36.60 (page 37)

Changes in the 1993 tax and benefit levels have the following results:

- The maximum payroll tax is $5,529 for both employers and employees, compared to $5,329 for 1992.
- The average monthly benefit for a retired worker is $653.
- The average monthly benefit for a retired couple is $1,106.
- The average monthly benefit for a young widow with two eligible children is $1,288.
- The average monthly benefit for an aged widow without children is $608.
- The maximum monthly benefit for a person retiring in 1993 at age 65 is $1,128, compared to $1,088 for 1992 retirees at age 65.

How To Use This Booklet

We've tried to make it easy. You can read through the whole booklet and get a clear overview of Social Security and Medicare, or you can turn to a specific section to get the answer to your question. Here's where to find the information you want:

What You Want To Know	Where To Find It
If you want to know about a specific **topic:**	Use the Table of Contents (next page). It lists each topic under every chapter.
To find approximate benefits for:	See the Easy-Reference Tables on:
Retirement	Page 10
Disability	Page 22
Death	Page 30
To calculate the benefit at:	See the calculation steps and tables on:
Retirement	Pages 12-14
Disability	Pages 26-28
Death	Pages 33-35
Also use table on	Pages 24-25

If you can't find an answer to your question, call the Social Security Administration at 800-772-1213. They're available to help.

Social Security is complicated, but it's also important to you. It's worth a little of your time to learn something about it. Share this booklet with your family; then keep it handy as your permanent reference to SOCIAL SECURITY.

Contents

1

Who Is Covered

Almost everyone who is employed or self-employed is covered by Social Security and Medicare. The major **exceptions** are:

- Most federal government employees hired before 1984. They are covered by Medicare, but ordinarily not by Old-Age, Survivors, and Disability Insurance (Social Security). Instead, they are covered by Civil Service Retirement or a similar pension plan. U.S. military personnel have been under Social Security since 1957.
- About 20% of state and local government employees. Each state and local government unit with a pension plan decides for itself whether to join Social Security; most have joined. Once elected, participation cannot be discontinued. After July 1, 1991, all state and local government employees who are not covered by a retirement plan of their employer are covered by Social Security and Medicare. All state and local government employees hired after March 1986 pay the 1.45% Medicare tax even if they do not have to pay the 6.2% Social Security tax.
- Railroad workers are covered under the separate, federally administered Railroad Retirement system. Workers with coverage under both Railroad Retirement and Social Security have their benefits coordinated.

In this booklet, **worker** means anyone with earnings covered by Social Security.

2

Benefits Provided and Who Receives Them

Social Security pays benefits when you retire, become disabled, or die, if eligibility requirements are met.

Other members of your family may also be eligible for benefits when you become entitled. The following table shows who most often receives Social Security cash benefits. Qualifications are different for each kind of benefit, as described later.

Monthly payments are increased each January to reflect changes in the cost of living.

When This Happens:	**Benefits Will Be Paid To:** You	Your Spouse	Your Child
You RETIRE	Age 62 and over	• Any age, if caring for your child who is under 16 or disabled before 22 • Age 62 and over	Under 18, or 19 if in high school, or any age if disabled before 22
You Become DISABLED	Any age before Normal Retirement Age	• Any age, if caring for your child who is under 16 or disabled before 22 • Age 62 and over	Under 18, or 19 if in high school, or any age if disabled before 22
You DIE	—	• Any age, if caring for your child who is under 16 or disabled before 22 • Age 60 and over, or age 50-59 if disabled	Under 18, or 19 if in high school, or any age if disabled before 22

3

What It Costs

Who Pays

You and your employer pay taxes for Social Security and Medicare. Your tax comes out of your pay. In 1993, you and your employer each pay 7.65%. Your employer pays half the cost — you get all the benefits.

How Much

The taxes that you and your employer pay each year are based on

- the tax rate (percent of pay) and
- the amount of your earnings taxed.

Two Taxes

Two separate payroll taxes are withheld from employees' wages:

Social Security: This tax pays for cash benefits to entitled beneficiaries.

Medicare (Part A, Hospital Insurance): This tax pays for hospital benefits for people covered by Medicare when they become entitled.

For most purposes, the two taxes are simply added together and treated as one amount; we will call them "payroll taxes." Self-employed persons pay these taxes with their income tax returns.

You do not pay any tax on earnings over the **Maximum Taxable Amount.** In 1993, this amount is $57,600 for Social Security and $135,000 for Medicare.

Your taxes equal:

The tax rate × Your earnings (up to the Maximum Taxable Amount)

Your employer pays the same amount on your behalf.

Tax Rates are established by federal law.

The **Maximum Taxable Amount** increases each year, based on increases in the average wages and salaries of all employees in the country.

Example — Payroll Taxes

Suppose you earn $20,000 in 1993. How much tax will you and your employer pay?

	Tax Rate		Earnings		Amount of Tax
You	7.65%	×	$20,000	=	$1,530.00
Employer	7.65%	×	20,000	=	1,530.00
				Total	$3,060.00

Here's another example. Suppose you earn $75,000 in 1993.

	Tax Rate		Taxable Amount		Amount of Tax
You, Social Security	6.20%	×	$57,600	=	$3,571.20
You, Medicare	1.45%	×	75,000	=	1,087.50
				Total	$4,658.70
Employer, Social Security	6.20%	×	57,600	=	$3,571.20
Employer, Medicare	1.45%	×	75,000	=	1,087.50
				Total	$4,658.70
				Grand Total	$9,317.40

Here is how the taxes have changed over the years:

Schedule of Social Security and Medicare Taxes

Years	Employer and Employee Tax Rate	Self-Employed Tax Rate	Maximum Earnings Taxed Annually	Employee Maximum Annual Tax
1937-49	1.00%	[a]	$ 3,000	$ 30.00
1950	1.50	[a]	3,000	45.00
1951-53	1.50	2.25%	3,600	54.00
1954	2.00	3.00	3,600	72.00
1955-56	2.00	3.00	4,200	84.00
1957-58	2.25	3.375	4,200	94.50
1959	2.50	3.75	4,800	120.00
1960-61	3.00	4.50	4,800	144.00
1962	3.125	4.70	4,800	150.00
1963-65	3.625	5.40	4,800	174.00
1966	4.20	6.15	6,600	277.20
1967	4.40	6.40	6,600	290.40
1968	4.40	6.40	7,800	343.20
1969-70	4.80	6.90	7,800	374.40
1971	5.20	7.50	7,800	405.60
1972	5.20	7.50	9,000	468.00
1973	5.85	8.00	10,800	631.80
1974	5.85	7.90	13,200	772.20
1975	5.85	7.90	14,100	824.85
1976	5.85	7.90	15,300	895.05
1977	5.85	7.90	16,500	965.25
1978	6.05	8.10	17,700	1,070.85
1979	6.13	8.10	22,900	1,403.77
1980	6.13	8.10	25,900	1,587.67
1981	6.65	9.30	29,700	1,975.05
1982	6.70	9.35	32,400	2,170.80
1983	6.70	9.35	35,700	2,391.90
1984	6.70[b]	11.30	37,800	2,532.60
1985	7.05	11.80	39,600	2,791.80
1986	7.15	12.30	42,000	3,003.00
1987	7.15	12.30	43,800	3,131.70
1988	7.51	13.02	45,000	3,379.50
1989	7.51	13.02	48,000	3,604.80
1990	7.65	15.30[c]	51,300	3,924.45
1991	7.65	15.30[c]	53,400[d]	5,123.30[e]
1992	7.65	15.30[c]	55,500[d]	5,328.90[e]
1993	7.65	15.30[c]	57,600[d]	5,528.70[e]

[a] Self-employed persons were not covered until 1951.

[b] Employers paid 7.00% in 1984.

[c] Half the tax deductible as a business expense on federal income tax returns.

[d] This is the maximum for Social Security; the maximum for Medicare was $125,000 in 1991, $130,200 in 1992; for 1993, it is $135,000. These figures will rise in the future as the national average wage rises.

[e] Includes the 1.45% Medicare tax on earnings shown in footnote d.

Taxes Not Deductible

Unlike some other taxes, Social Security taxes paid by employees are not deductible on individual federal income tax returns.

What Is Taxed

All salaries, wages, bonuses, and commissions that you receive for working are taxed and credited to your earnings record. The payroll taxes are withheld from every paycheck until the Maximum Taxable Amount for the year is reached.

In addition to cash payments, taxable amounts include the value of clothing, meals, and lodging, except meals and lodging provided for the convenience of your employer. The first six months of sick pay are taxed. The value of employer-provided life insurance exceeding $50,000 is also taxed.

If you have questions about what is taxable, call the Internal Revenue Service.

What Is Not Taxed

Payments from almost all employee benefit plans are excluded from payroll taxes. Also, items of little value provided by your employer are generally not taxed. For example, you aren't taxed for using the company parking lot or medical clinic, or for discounts on company products.

Domestic Service

If you are paid $50 or more in one calendar quarter from one employer to work in or around that employer's home, you are subject to the payroll taxes, and your earnings will count in figuring your benefits. Your employer must file Internal Revenue Service Form 942 each calendar quarter. Only payments in money are subject to these taxes for this type of work — not material things such as meals or used clothing.

Agricultural Labor

If you are paid $150 or more in a calendar year from one employer for farm work, or if that employer pays at least $2,500 to all employees for such labor during the year, you are generally subject to the payroll taxes, and your earnings will count in figuring your benefits.

Tips

If you receive tips of $20 or more in a month, all of your cash tips are treated as regular wages. Both you and your employer pay taxes on this compensation.

Two or More Employers

If you work for more than one employer, **each one** must withhold taxes on your earnings up to the Maximum Taxable Amount. If your **total earnings** from all employers are more than the Maximum Taxable Amount, then you will have paid too much tax.

What happens when you overpay? You can credit the overpayment against the federal income taxes that you owe when you file your return, or you can claim a refund (see page 43). Your employers do not get a credit or refund for their payments. When you request your earnings record from Social Security (see page 42), it will show **all** of your earnings taxed. However, **only** the Maximum Taxable Amount for Social Security in any given year will be used to figure your benefit.

Family Employment

If you are self-employed and hire your spouse, parent, or child age 18 or older in the course of your business, this is covered employment. If employment is not in the course of your business, this is **not** covered.

Self-Employed

If you are self-employed, you are probably covered by Social Security and Medicare.

You pay the tax on 92.35% of your net annual income from self-employment (if the result is at least $400), which amount is considered as your self-employment income for benefit purposes. In general, net income is figured under the same rules as for income tax purposes. You determine your payroll taxes on self-employment income using a special income tax form (Schedule SE).

If you are in more than one type of self-employment, the profits and losses of all businesses are added together to figure your net income.

If you are both self-employed and an employee, you pay taxes on your employee earnings at the employee tax rate. If you earn the Maximum Taxable Amount for Medicare (or more) as an employee, you do not pay any self-employment tax. If you earn less than such Maximum Taxable Amount as an employee, then you must pay the self-employment tax on the amount of your self-employment earnings (after adjustment by the 92.35% factor) that brings you up to each of the two Maximum Taxable Amounts, considered separately, when added to your wages as an employee. Note that the Maximum Taxable Amount is higher for Medicare than it is for Social Security.

You must pay the Social Security tax even if you don't have to pay any federal income tax. If a husband and wife file a joint return, each one who has any self-employment income must file his or her own Schedule SE.

The Tax Rates and Maximum Taxable Amounts for the self-employed are shown on page 7.

Self-Employment Benefits

Benefits are the same as for employees.

Taxes after Retirement

If you work while receiving Social Security benefits, you still pay Social Security taxes on your earnings.

Social Security benefits may be reduced if your earned income exceeds the Earnings Limitation (see pages 18-19).

Although Social Security benefits are tax-free for most people, those with high total incomes must include up to half of their Social Security benefits for federal income tax purposes. The threshold income levels are $25,000 for single persons, $32,000 for married couples filing joint returns, and zero for married couples filing separate returns if they live together at any time during the year. Income from earnings, pensions, and other sources, plus interest on tax-exempt bonds, plus half of Social Security benefits, is compared to the threshold amount. Half of any excess, but no more than half of the benefits, is included in the Adjusted Gross Income for computing income tax.

Example for Married Couple

Earnings, pensions, etc.		$30,000
Tax-free bond interest		4,000
½ of Social Security		6,000
Total		$40,000
Less threshold amount		−32,000
Excess		$ 8,000
Use smaller	½ of excess	$\boxed{\$\ 4{,}000}$
	½ of Social Security	$ 6,000

Thus, $4,000 is included in Adjusted Gross Income, making it $34,000.

Most states do not tax Social Security benefits, but you should consult your tax advisor.

4

Retirement Benefits

All monthly benefits are based on your **Primary Insurance Amount** (PIA). You would receive this amount if you retired at your Normal Retirement Age, currently age 65. (The formula for calculating your PIA is described on page 46.)

Easy-Reference Table

The table below shows the approximate amount of your age-65 benefit and the monthly benefits for your eligible dependents. We assume that you have worked steadily and received pay raises at a rate equal to the U.S. average throughout your working career. In addition, we assume your earnings, and the general level of wages and salaries in the country, will stay the same until you retire. This way, the table shows the value of your benefits in today's dollars.

Monthly Benefits at Age 65

Your Age in 1993	Who Receives Benefits	Your Present Annual Earnings $12,000	$20,000	$30,000	$42,000	$57,600 and Up
65	You	$529	$728	$970	$1,066	$1,128
	Spouse* or child	264	364	485	533	564
64	You	522	718	956	1,053	1,118
	Spouse* or child	261	359	478	526	559
63	You	526	723	965	1,066	1,136
	Spouse* or child	263	361	482	533	568
62	You	529	727	970	1,076	1,152
	Spouse* or child	264	363	485	538	576
61	You	530	729	973	1,082	1,163
	Spouse* or child	265	364	486	541	581
55	You	528**	728**	977**	1,102**	1,215**
	Spouse*** or child	263	362	487	549	606
50	You	502**	692**	930**	1,062**	1,195**
	Spouse*** or child	246	340	457	521	587
45	You	505**	698**	939**	1,074**	1,233**
	Spouse*** or child	248	343	461	527	605
40	You	509**	703**	943**	1,080**	1,255**
	Spouse*** or child	250	345	463	530	616
35	You	488**	675**	902**	1,034**	1,205**
	Spouse*** or child	236	327	437	500	584
30	You	478**	663**	883**	1,013**	1,182**
	Spouse*** or child	230	319	424	487	568

*Benefit at age 65 or at any age with eligible child under age 16 in care.

**These amounts are reduced for retirement at age 65 because the Normal Retirement Age (NRA) is higher for these persons; the reduction factors are different for the worker and the spouse (see page 47).

***The amount shown is for the spouse at NRA or caring for an eligible child (under age 16 or disabled), or for the child; the benefit for a spouse younger than NRA who does not care for an eligible child would be reduced for early retirement.

Starting with the year you turn 62, your benefits are increased to reflect changes in the cost of living, whether or not you retire. These increases are effective every December and are ordinarily payable beginning in January. They are included in the table for persons who became 62 before 1993. No cost-of-living increases are included for December 1993 or later.

There is a **Maximum Family Benefit** that applies when more than two beneficiaries are entitled to payments on the same Social Security earnings record (see page 17).

This table shows only **approximate** retirement benefits. For a more accurate figure, you can follow the steps on pages 12-14. For an exact figure, you need your entire earnings history, which you can obtain by completing and mailing Form SSA-7004 in the back of this booklet.

Benefits as a Percentage of Pay

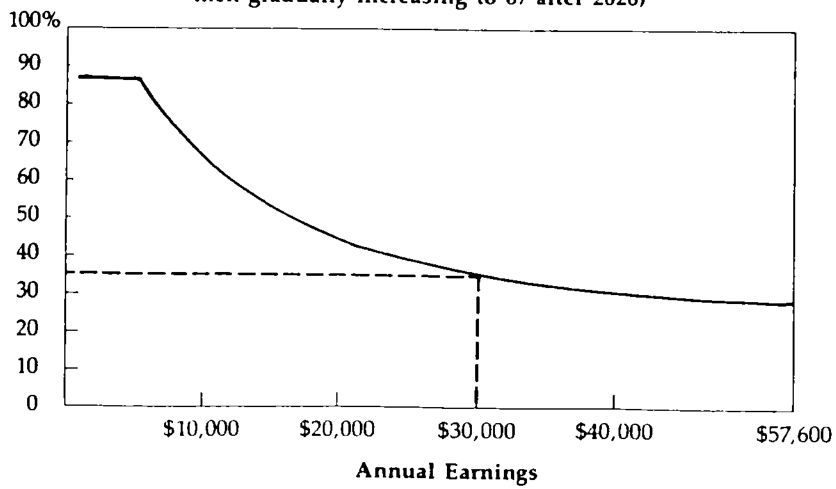
The table on page 10 gives you a close estimate of your age-65 benefit in today's dollars. Inflation would cause the actual dollars to be much higher, however. The graph below illustrates the benefit at Normal Retirement Age as a percentage of pay **subject to the Social Security tax.** It applies to anyone who has had **steady** earnings.

First, find your annual pay on the graph. For example, if you earn $30,000, you find it on the bottom (horizontal) line of the chart. Reading up to the graph line and over to the vertical line on the left side reveals that you could expect a benefit of 36% of your final level of pay. If no future inflation occurs, your benefit would be $10,800 (36% × $30,000).

If your earnings are equal to the U.S. average, you can expect to receive a benefit of about 42% of pay. If you always had the maximum taxable earnings, you can expect to receive about 24% of that **portion** of your pay subject to the Social Security tax (gradually increasing to 27% during the next 20 years). **Replacement ratio** refers to the percentage of your pay that is replaced by your Social Security retirement benefit.

Social Security Replacement Ratios

(For retirement at Normal Retirement Age — 65 until 2003, then gradually increasing to 67 after 2026)



Qualifications for Retirement Benefits

To qualify for retirement benefits, you must be **fully insured;** that is, you must have the required number of **quarters of coverage** under Social Security. Most workers need 40 QCs to qualify for retirement benefits — or about 10 years of work. Workers born before 1929 need fewer QCs.

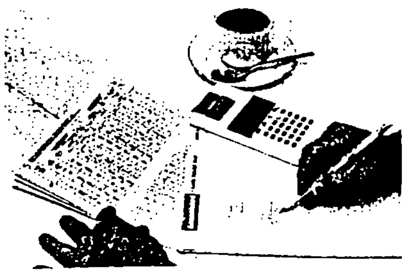
Through 1977, you earned one QC for any calendar quarter in which you had wages or salary of at least $50 in covered employment. Since 1978, you earn QCs on the basis of your annual earnings, up to four QCs in any year. In 1993, one QC is credited for every $590 you earn during the year, with four QCs if you earn $2,360 or more. (The amounts required to earn a QC in 1978-92 are shown on the next page.)

The table below shows how many QCs you need to be fully insured. If you were born on January 1, refer to the year prior to the year of your birth.

Quarters Required To Qualify for Retirement Benefits

Year of Birth	Quarters	Year of Birth	Quarters
1923	34	1927	38
1924	35	1928	39
1925	36	After 1928	40
1926	37		

How To Figure Your Retirement Benefit Amount



Your retirement benefit is based on your Primary Insurance Amount (PIA). To figure your PIA, you need to know your Average Indexed Monthly Earnings (AIME), which is based on your lifetime earnings history. If you were born in 1931 or later, you can figure your own AIME by following the steps below. (If you were born before 1931, see page 47.) This, in turn, will enable you to make a good estimate of your PIA. Of course, to get a completely accurate PIA, you need your entire earnings history right up to the time of your retirement.

The PIA is the amount payable to you at your Normal Retirement Age, which is 65 for persons born before 1938. If you retire earlier, your benefit will be less than the PIA (see page 15). If you retire later, it will be more than the PIA (see page 16).

Here's how to figure your Average Indexed Monthly Earnings (AIME)

1. In column C of the worksheet on the next page, enter your earnings for each year after 1950. **You can get this information from the Earnings and Benefit Estimate Statement** that you can request from the Social Security Administration (see page 42). If your earnings for any year were less than the Maximum Taxable Amount, use the earnings. (If most of your lifetime earnings were before 1951, ask the Social Security Administration about using a special calculation method that is not described here.)

Worksheet for Figuring Your Indexed Earnings

A Calendar Year	B Maximum Taxable Amount	C Enter Your Taxable Earnings	×	D Index Factor	=	E Indexed Earnings	F High Years	G Earnings for Quarter of Coverage
1951	$ 3,600			7.79219				$ 50
1952	3,600			7.33577				50
1953	3,600			6.94761				50
1954	3,600			6.91194				50
1955	4,200			6.60669				50
1956	4,200			6.17480				50
1957	4,200			5.98937				50
1958	4,200			5.93707				50
1959	4,800			5.65683				50
1960	4,800			5.44321				50
1961	4,800			5.33714				50
1962	4,800			5.08263				50
1963	4,800			4.96097				50
1964	4,800			4.76619				50
1965	4,800			4.68189				50
1966	6,600			4.41677				50
1967	6,600			4.18373				50
1968	7,800			3.91467				50
1969	7,800			3.70080				50
1970	7,800			3.52583				50
1971	7,800			3.35714				50
1972	9,000			3.05750				50
1973	10,800			2.87746				50
1974	13,200			2.71601				50
1975	14,100			2.52715				50
1976	15,300			2.36402				50
1977	16,500			2.23035				50
1978	17,700			2.06627				250
1979	22,900			1.90005				260
1980	25,900			1.74305				290
1981	29,700			1.58364				310
1982	32,400			1.50100				340
1983	35,700			1.43128				370
1984	37,800			1.35181				390
1985	39,600			1.29657				410
1986	42,000			1.25920				440
1987	43,800			1.18371				460
1988	45,000			1.12814				470
1989	48,000			1.08518				500
1990	51,300			1.03727				520
1991	53,400			1.00000				540
1992	55,500			1.00000				570
1993	57,600			1.00000				590
1994 +	*			1.00000				*

*To be determined (see page 6 as to column B and page 12 as to column G).
NOTE: Index factors change each year based on U.S. average wage.

2. Now enter in the last two lines of column C your expected earnings for 1993 and for all **future** years that you plan to work after 1993. For this purpose you should assume future earnings to be the same as 1993, so that your benefit will be more closely related to the value of today's dollar. Remember that higher earnings resulting from the increase in the cost of living will be balanced by higher costs generally. If you are 62 in 1993 or earlier, do not consider earnings after 1992 when figuring the benefit payable in 1993.

3. Now multiply the earnings for all years by the Index Factors in column D. The index factors make past earnings comparable to the level of earnings today. Enter the results of your multiplication in column E, Indexed Earnings.

4. Not all indexed earnings are used to figure your AIME. The table below shows how many years of earnings to use. If you were born on January 1, refer to the year prior to the year of your birth. (The rule for determining the number of years to use is on page 46.) Find your year of birth, then enter the number of years you must use .... ______________

5. On the worksheet, put a check mark in column F, High Years, by the years of your highest indexed earnings in column E until you have checked the number of years you must use from (4). For the "1994+" box, write the number of years that it represents, if this is a high year.

6. Add up all the indexed earnings in column E for the years you have checked in column F. (If the "1994+" line is to be used, multiply the number in column F by the earnings in column E and use the result in addition.) ...... $______________

7. Multiply the number of years in (4) by 12 to get months. .... ______________

8. Divide the total earnings shown in (6) by the months shown in (7) to get your AIME (drop cents). ...... $______________

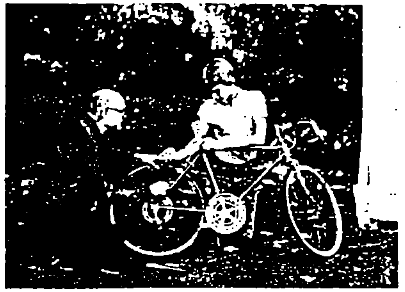
Now, to figure your PIA:

9. If you were born in 1931, or later, look at the table on pages 24-25. Find the number in the first column that is closest to your AIME. The numbers on this line are your approximate PIA and the other benefits based on it. For a more precise benefit determination, apply the 1993 benefit formula shown on page 46. The benefit amount is increased by the cost-of-living percentage effective for December of the year in which you reach age 62 and for all subsequent years, whether or not you have actually retired.

Number of Years Used To Figure Average Indexed Monthly Earnings

Year of Birth	Number of Years
1923	29
1924	30
1925	31
1926	32
1927	33
1928	34
After 1928	35

Early Retirement



You can retire as early as age 62 if you are fully insured (see page 12), but you will have a smaller monthly benefit for the rest of your life than if you waited until the Normal Retirement Age. It will be smaller for two reasons. First, you will probably have lower average earnings because you won't have the earnings of later years. Second, you will receive more monthly benefit checks because they will begin sooner. Accordingly, the benefit is reduced. This way, the total benefits you receive will have approximately the same value if you live to an "average" age.

How much your benefit will be reduced for early retirement depends on your age when the benefits begin. For example, here are some reduced amounts for certain ages and PIAs for people born before 1938. (The reductions are somewhat larger for people born later.)

Examples of Your Reduced Benefits at Early Retirement

If You Retire at Age	You Will Receive This Percent of Your PIA	You Will Receive This Benefit if Your PIA Is: $500	$800	$1,100
65	100	$500	$800	$1,100
64½	96⅔	483	773	1,063
64	93⅓	466	746	1,026
63½	90	450	720	990
63	86⅔	433	693	953
62½	83⅓	416	666	916
62	80	400	640	880

You may retire at ages between the ones shown. The reduction factor applied to the Primary Insurance Amount is 5/9 of 1% for each of the first 36 months that commencement is prior to the Normal Retirement Age, plus 5/12 of 1% for each such month in excess of 36.

These reduction factors are for **workers** only. Different reduction factors are used for spouses (see page 47).

Reductions for Early Retirement Are Permanent

If your benefit is reduced because you started it before the Normal Retirement Age, the reduction is **permanent.** Your benefit does not increase to the full PIA when you reach Normal Retirement Age. However, if your benefit is reduced for any month that you have more **earnings** than Social Security allows (see pages 18-19), this reduction will be adjusted at the Normal Retirement Age. Then, your benefit will be refigured so that the permanent reduction is no longer based on any months that your benefit was withheld or reduced because of your earnings.

Normal Retirement Age

Under legislation passed in 1983, the Normal Retirement Age will slowly rise from 65 for persons born before 1938 to 67 for persons born after 1959. The benefit at the Normal Retirement Age is the Primary Insurance Amount. The following table illustrates this important change:

Year of Birth	Normal Retirement Age	Year of Birth	Normal Retirement Age
Before 1938	65	1955	66 and 2 months
1938	65 and 2 months	1956	66 and 4 months
1939	65 and 4 months	1957	66 and 6 months
1940	65 and 6 months	1958	66 and 8 months
1941	65 and 8 months	1959	66 and 10 months
1942	65 and 10 months	1960 and After	67
1943-1954	66		

Notes:

If you were born on January 1, refer to the year prior to the year of your birth.

The Normal Retirement Ages shown are applicable for retired-worker and spouse's benefits. The Normal Retirement Ages for surviving spouse's benefits are slightly different (for instance, 65 years and 2 months for persons born in 1940 and 67 years for persons born in 1962 or later).

Late Retirement

If you wait until after your Normal Retirement Age to claim your Social Security benefit, it will be increased by a percentage factor. If you were born in 1917-24, the increase is at the rate of 3% for each year that you delay receiving your benefits, up to age 70. For people born in 1925-26, the rate is 3½% and for people born in 1927-28 (age 65 in 1992-93), the increase is 4% per year. For people born after 1928, the percentage increase is even larger, rising gradually (½% each two years) to 8% per year of delay for those born after 1942.

Your earnings after the Normal Retirement Age may increase your AIME and, thus, your PIA. Any increase in your PIA will increase your benefits and those of other family members who receive benefits based on your earnings. The percentage increase for delayed retirement, however, affects only the benefits paid to workers, and later to surviving spouses, and does not increase the current benefits of other family members.

Family Benefits

When you retire and become entitled to Social Security benefits, other members of your family may also become entitled to monthly benefits based on your earnings record. Their benefits will be figured as a percentage of your PIA (not necessarily your **benefit**) but are subject to the Maximum Family Benefit. Your own **retirement** benefit will be less than your PIA if it begins before the Normal Retirement Age, and it will be larger than your PIA if you retire later. The following table shows the percentage of your PIA payable to your family members when you retire:

Who Receives Benefits When You Retire

Benefits Paid To	Percent of Your PIA Payable
Spouse, age 65*	50%
Spouse, age 62	37.5%**
Spouse, any age, with eligible child who is under age 16 or disabled	50%
Each eligible child	50%

*When the Normal Retirement Age for workers rises, this age will rise, too.

**Gradually reduced starting in the year 2000 (see page 47).

You must apply for your benefit before your family members can become entitled to benefits (except as noted for divorced spouses). The benefits payable to your family members are **in addition** to your own benefit. Let's look at the family members and the qualifications they must meet:

Spouse

At the Normal Retirement Age, your spouse is entitled to a benefit equal to 50% of your PIA. At age 62, your spouse can receive permanently reduced benefits, currently 37½% of your PIA (see page 47). You must begin your benefit before your spouse can collect a benefit on your work record.

Note that if you are eligible for benefits on more than one work record at the same time, no more than the equivalent of the higher benefit can be paid.

A **spouse who is caring for your eligible child** is entitled to 50% of your PIA. The eligible child must be under age 16 (or any age, if disabled before age 22). In this case, no reduction is made because of the spouse's age. To qualify for benefits, your spouse must have been married to you for at least one year or must be the parent of your child.

Your **unmarried divorced spouse** may be entitled to benefits starting at age 62 if married to you for at least 10 years. This benefit is not payable if the divorced spouse is remarried, unless the marriage is to a person receiving Social Security benefits as a widow, widower, parent, or disabled child. These benefits are subject to the same reductions as spouse's benefits if they start before the Normal Retirement Age. A divorced spouse can receive benefits if you are at least age 62 (whether retired or not) or are receiving Social Security disability benefits. If you are 62 but not retired, then the divorce must have been at least two years ago before the divorced spouse can receive benefits unless you were entitled to benefits before the divorce.

Eligible Child

The definition of **child** includes your natural children (legitimate or illegitimate), adopted children, stepchildren, and dependent grandchildren (if their parents are deceased or disabled). An eligible child must be unmarried and:

- under age 18;
- under age 19, if in high school; or
- any age, if disabled before age 22.

Each child is entitled to 50% of your PIA. This may be based on the PIA of either parent, whichever is greater, but not both.

Maximum Family Benefit

The total amount of benefits that all members of one family may receive based on the earnings record of one worker is limited to an amount that varies with the PIA. The table on pages 24 and 25 shows this **Maximum Family Benefit** for various AIMEs and PIAs for persons who reach age 62 in 1993 or who become disabled or die before age 62 in 1993. (The rule for calculating the maximum is on page 47.) The maximum is higher for retirement and survivor cases than for disability cases. The maximum applies before any reduction for early retirement or any increase for late retirement.

If the sum of the individual benefits based on your earnings record is more than the maximum, the benefits of the family members will be reduced proportionately to bring the total within the limit. Your worker's benefit will not be reduced. An example on page 35 shows how this applies to survivor benefits.

The amount payable to a divorced spouse, whether or not the former spouse is alive, is not included in figuring the maximum, with one exception: the benefit of a surviving divorced spouse qualifying only on the basis of caring for a child of the worker **is** included in figuring the maximum.

After You Reach Retirement Age

Earnings Limitation for Employees (Retirement Test)

If you continue to work for an employer after your Social Security benefits start, your benefits may be reduced because of the Earnings Limitation, which is sometimes called the Retirement Test. It applies until you reach age 70.

After your benefits start, you can earn up to a certain amount in each year without affecting your benefits in any way. But if you earn **more** than the Earnings Limitation, Social Security will reduce your benefits and your family members' benefits based on your work record. If a family member earns more than the Earnings Limitation, only that person's benefit is reduced.

In 1993, the Earnings Limitation for any beneficiary who is age 65-69 is $10,560. The Earnings Limitation for beneficiaries under age 65 is $7,680. These amounts increase every year, based on changes in the average earnings of all employees in the country.

If you are under age 65, benefits are reduced by $1 for every $2 you earn over the Earnings Limitation during the year. If you are 65-69, the reduction is $1 for every $3 you earn over the limitation.

In the calendar year when your benefits begin, a special rule is used **if it gives you better results** than the rule just described. During that first year, you can receive your benefit for any month that you earn 1/12 of the Earnings Limitation or less. If you earn more than 1/12 of the annual limit, benefits are not be payable for that month unless they are payable under the regular annual test.

Benefit reductions because of a family member's excess earnings are not made if the total benefits payable to the family would not be reduced. This can occur if the total family benefits are limited by the Maximum Family Benefit (see page 17).

In some cases, you might continue working and also apply for retirement benefits, especially if family members are eligible for benefits on your earnings record. The benefits will be reduced because of the excess earnings, but this may be better than no benefits at all. Each case must be studied carefully to see whether the earnings after taxes are worth the reduction in benefits. Remember, too, that Social Security benefits are often tax free, while earnings are subject to federal, state, and local income taxes, as well as Social Security taxes.

In the calendar year in which you plan to retire, you might consider applying for benefits to start at some time in that year before you actually stop working. If your total earnings for the calendar year are not more than the Earnings Limitation, you will get benefits for all months after you turn 62.

Earnings Limitation for Self-Employed

If you are self-employed, you also are subject to the Earnings Limitation until age 70. The annual limitation is the same as for employees. Under the special alternative test for the calendar year in which benefits begin, your work is examined to determine the months that you performed substantial services in self-employment, and benefits are not paid for those months. In general, less than 15 hours of services in a month is not considered substantial; more than 45 hours of services in a month is considered substantial. Between those guidelines, your services are considered substantial if you are in a highly skilled occupation.

For the annual Earnings Limitation, the profits and losses of all your businesses are added together to determine the earnings for the year. If the total profit was over the Earnings Limitation, your Social Security benefits will be reduced, even if some of the businesses lost money.

Earnings from self-employment received after retirement are generally counted when received, rather than when earned. However, earnings from work performed before the month of entitlement to retirement benefits do not count towards the Earnings Limitation (except that income received in the year of retirement counts for the annual limitation).

If you are self-employed and also employed by others, you must combine your salary and wages and your net income or loss from self-employment to see whether your earnings exceed the Earnings Limitation.

Income for Earnings Limitation

Certain types of income are **not** counted as earnings in applying the Earnings Limitation. Some of these are:

- pensions and retirement pay;
- payments from certain tax-exempt trust funds such as profit sharing, bond purchase, or annuity plans;
- severance payments made on account of retirement;
- dividends and interest from investments, unless in the brokerage business, and capital gains;
- rental income unless you are in the real estate business;
- non-cash payments for domestic service;
- tips not in cash or amounting to less than $20 in a month;
- sick pay received after you have terminated employment, except that payments made in the year of termination count for the annual limitation;
- workers' compensation and unemployment insurance benefits;
- veterans' training pay;
- reimbursement for travel or moving expenses to the extent not counted as income by Internal Revenue Service;
- damages, fees, interest, or penalties received in a court judgment, except that back pay recovered must be counted as wages or salary; and
- contest or lottery winnings.

Even if the Earnings Limitation causes a loss of the entire benefit for a period of time, Medicare coverage continues if you otherwise qualify.

You may receive some benefits retroactively for as many as 6 months but not for any month prior to age 65. For disability benefits, the retroactive period can be as much as 12 months. This could happen if you were eligible for benefits but did not apply on time. In such a case, the Earnings Limitation is also applied retroactively, and these benefits may be reduced. However, Social Security will not pay retroactive benefits if this would reduce your monthly benefit amount.

When You Receive Social Security Benefits

Benefits normally arrive on the third day of the month after the month for which the benefit is paid. For example, you receive the benefit for April 1993 on May 3. If the third of the month is a Saturday, Sunday, or holiday, benefits are delivered on the first business day before the third. The Social Security Administration prefers to deposit your benefits in a checking or savings account, but you can ask to have checks mailed to you.

Reduction of Benefits Because of Other Pensions

If you worked for federal, state, or local government and were **not covered by Social Security** when your employment ended, two-thirds of your pension benefits from that employment will be offset against any Social Security benefit for which you are eligible as a spouse, widow, or widower. You can receive only the amount of the Social Security benefit that exceeds two-thirds of your government pension. This frequently eliminates Social Security benefits altogether. This rule does not apply to:

- people entitled to Social Security benefits before December 1977;
- women, and men who were dependent on their wives, who received, or were eligible to receive, government pensions any time during December 1977 through November 1982; and
- people eligible to receive government pensions during December 1982 through June 1983 who were dependent on their spouses.

A different method of computing the PIA (producing lower amounts) applies to people receiving pensions based on earnings from non-covered employment. Excluded are (1) people reaching age 62 before 1986; (2) people **eligible** for such pensions before 1986; (3) disabled-worker beneficiaries disabled before 1986; (4) people with at least 30 years of "significant" Social Security coverage (as defined in the next column, except that the 19% factor continues after 1990); (5) federal employees who were mandatorily covered by Social Security on January 1, 1984; and (6) people employed on January 1, 1984, by nonprofit organizations that were not covered by Social Security at any time before 1984.

Members of the Armed Forces

Members of the armed forces of the U.S. have been covered by Social Security since 1957. They pay taxes on their cash compensation. In addition, they receive additional earnings credits of $100 for each $300 of actual earnings, up to a maximum of $1,200 of additional credit per year. (These additional credits were $300 per quarter in 1957-77.) This reflects the value of the food, housing, and clothing that they receive. These additional credits are not always granted if military service is shorter than 2 years.

From 1940 through 1956, military personnel received free earnings credits of $160 per month for periods of service. These credits are not always granted if a federal pension is payable for the same period of service.

Credits that are based on other than actual pay received do not always appear on the Social Security earnings record, but they are used when a benefit application is made, if the credits result in a larger benefit.

Minimum Retirement Benefits

Special Minimum Benefit (Long Service at Low Earnings)

Workers who have many years of work under Social Security, but at low earnings, may qualify for a **special minimum benefit.** The amount of this benefit depends on the number of years of "significant" Social Security coverage. Here's how that number is figured:

For 1937-50, divide your total earnings by $900 to obtain your years of coverage (maximum 14). For 1951-78, you are credited for each year that you earned at least 25% of the Maximum Taxable Earnings. For 1979-90, you are credited for each year that you earned 19% of the Maximum Taxable Earnings. After 1990, it is about 11%. For 1993, you will be credited with a year of coverage if you earn at least $6,435.

For December 1992 through November 1993, the special minimum benefit is approximately $24.60 per month for each year of coverage **over 10 years — up to 30 years.** This results in the following benefits:

Years of Coverage	Special Minimum Benefit
11	$ 24.50
12	48.90
13	73.70
14	98.30
15	122.90
16	147.50
17	172.20
18	196.90
19	221.50
20	246.00
21	270.90
22	295.40
23	320.20
24	344.80
25	369.30
26	394.20
27	418.90
28	443.30
29	467.90
30 or more	492.50

The special minimum benefit is paid only if it is higher than the benefit calculated under the regular rules, described previously, and this is seldom the case. The Social Security Administration automatically calculates your benefit, using both methods, and pays whichever is higher.

Example — Retirement Benefits

Married Couple:	Charlie	Lucy
Born	1932	1931
Age 62 in	1994	1993
PIA	$940	$350*

*NOTE: Lucy was not employed when her children were young, and she stopped her employment several years before reaching age 62.

At age 62, Lucy can receive a benefit on her own **earnings record.** She doesn't have to wait for Charlie to retire. Her PIA is $350. Because she is starting her benefit before age 65, it is reduced by 5/9 of 1% for each month — or a reduction of 20% for 36 months. This reduces her monthly benefit to $280 at age 62. Lucy could continue to receive this amount (plus cost-of-living increases, applicable also in all of the following cases) for the rest of her life. However, when Charlie retires, she can receive a larger monthly benefit based partly on **his** earnings record.

If Charlie retires next year at age 62, his PIA will be $940. This must be reduced in the same way that Lucy's was (20% for the three years before age 65), resulting in a monthly benefit of $752. If Charlie remains retired, he'll receive this amount for the rest of his life.

If Charlie claims his benefit at age 62 but continues to work and earns more than the Earnings Limitation, his benefit would be further reduced (see pages 18-19), as would Lucy's spouse benefit. Her benefit based on **her** work record, however, is not affected by Charlie's earnings.

When Charlie reaches age 65, his benefit and Lucy's spouse benefit will be increased to recognize any months in which benefits were withheld or reduced because of his work. If he continues to work after age 65, he will receive delayed retirement credits for months when benefits are withheld completely. Also, the additional years of earnings after age 62 would probably raise his PIA above $940.

Lucy can collect benefits based on Charlie's work record **whenever** he retires. If her wife's benefit begins at age 65, she will receive 50% of Charlie's PIA — or $470. If Lucy had no work history under Social Security, she would receive this amount each month. However, Lucy has earned a PIA of $350, which must be subtracted from the $470, resulting in a spouse's benefit of $120.

If she claims this benefit before age 65, it will be reduced by 25/36 of 1% for each month. This reduction is different from the one used for her own PIA. At age 63, the reduction would be 16⅔%, or $20, resulting in a spouse's benefit of $100. Combined with her own benefit of $280 started at age 62, she would receive $380 a month while both she and Charlie are alive.

If Charlie and Lucy both wait until age 65 to receive benefits, even though he stopped working at age 62, each would receive the full PIAs they had earned — $940 for Charlie and $350 for Lucy. In addition, Lucy would receive a spouse's benefit of $120, which brings her total payments to $470 — 50% of Charlie's PIA.

If Charlie had had the lower earnings record, and Lucy had had the higher earnings record, the total benefit payments would be the same as in the example described.

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Disability Benefits

If you have worked under Social Security and become severely disabled, you can receive a monthly benefit equal to your PIA at the time that disability occurs. The benefit is not reduced because it starts before the Normal Retirement Age, currently 65. However, if you become disabled after age 62 and have received a reduced retirement benefit, your disability benefit will be reduced to take into account the number of months you received the retirement benefit.

Easy-Reference Table

The table below shows the approximate benefits for you and your family if you become disabled in 1993. The figures assume that you have worked steadily and received average pay raises throughout your working career. By following the steps described on pages 26-28, you can make a more accurate calculation.

Like other Social Security benefits, disability benefits are increased each year to reflect changes in the cost of living.

A Maximum Family Benefit (see page 17) applies, and this can be determined from the table on pages 24-25 by finding your PIA in column 2 and looking across to the last column. In all the examples shown below, the maximum is 150% of the benefit shown for you (which is the PIA).

Monthly Benefits at Disability

Your Age in 1993	Who Receives Benefits	Your Present Annual Earnings: $12,000	$20,000	$30,000	$42,000	$57,600 and Up
64	You	$521	$716	$951	$1,046	$1,105
	Child (or children & spouse)	260	358	475	523	552
60	You	527	724	962	1,064	1,126
	Child (or children & spouse)	263	362	481	532	563
55	You	527	724	968	1,081	1,154
	Child (or children & spouse)	263	362	484	540	577
50	You	527	724	970	1,102	1,191
	Child (or children & spouse)	263	362	485	551	595
45	You	527	724	971	1,120	1,228
	Child (or children & spouse)	263	362	485	560	614
40	You	527	725	971	1,127	1,264
	Child (or children & spouse)	263	362	485	563	632
35	You	528	725	972	1,129	1,293
	Child (or children & spouse)	264	362	486	564	646
30	You	528	726	973	1,130	1,305
	Child (or children & spouse)	264	363	486	565	652

Qualifications for Disability Benefits

Disability means that you are so severely impaired, mentally or physically, that you cannot perform any substantial gainful work. The impairment must be expected to last at least 12 months or to result in earlier death. This determination must be based on medical evidence and is ordinarily made by a government agency in your state.

To qualify for disability benefits, you must have earned a minimum number of quarters of Social Security coverage (as defined on page 12). In addition, you must have earned some of these quarters in recent years.

The following table summarizes the requirements for anyone becoming disabled in 1993. If you were born on January 1, refer to the year prior to the year of your birth.

Year of Birth	Quarters of Coverage Required To Qualify for Disability Benefits in 1993
1928	39, with 20 earned in last 10 years
1929-31	40, with 20 earned in last 10 years
1932	39, with 20 earned in last 10 years
1933	38, with 20 earned in last 10 years
1934	37, with 20 earned in last 10 years
1935	36, with 20 earned in last 10 years
1936	35, with 20 earned in last 10 years
1937	34, with 20 earned in last 10 years
1938	33, with 20 earned in last 10 years
1939	32, with 20 earned in last 10 years
1940	31, with 20 earned in last 10 years
1941	30, with 20 earned in last 10 years
1942	29, with 20 earned in last 10 years
1943	28, with 20 earned in last 10 years
1944	27, with 20 earned in last 10 years
1945	26, with 20 earned in last 10 years
1946	25, with 20 earned in last 10 years
1947	24, with 20 earned in last 10 years
1948	23, with 20 earned in last 10 years
1949	22, with 20 earned in last 10 years
1950	21, with 20 earned in last 10 years
1951-62*	20 earned in last 10 years
1963*	19 earned after age 21
1964*	17 earned after age 21
1965*	15 earned after age 21
1966*	13 earned after age 21
1967*	11 earned after age 21
1968*	9 earned after age 21
1969*	7 earned after age 21
After 1969	6 earned in last 3 years

* The figure shown is the maximum number of quarters required. Depending on month of birth and month of disability, the number can be up to 3 fewer, with a minimum of 6 quarters.

Waiting Period

Disability benefits begin after a waiting period of five full calendar months. To qualify for benefits, you must have been disabled throughout this period. For example, if you become disabled on March 15, you could not receive benefits for March or the next five months, April through August. The first benefit would be for September and would normally be paid on October 3. If you previously received disability benefits and the disability ended less than five years before the present disability began, you will not have a second waiting period.

Disability benefits can be paid retroactively for up to 12 months, not including the waiting period. If a disabled worker dies before filing a claim, the family can apply for the disability benefits within three months of the worker's death.

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Table of Monthly Social Security Benefits[1]

(If your exact AIME is not shown, your benefit will be between the benefits for the AIMEs just above and below your AIME.)

Average Index Monthly Earnings (AIME)	Benefits for Workers and Their Families: Age-65 Retirement Benefit or Disability Benefit[2]	Benefits for Workers and Their Families: Age-62 Retirement Benefit	Benefits for Family Members: Spouse[3] Not Caring for Child, Age 65	Benefits for Family Members: Spouse[3] Not Caring for Child, Age 62	Benefits for Family Members: Child or Spouse[3] Caring for Child	Benefits for Survivors of Deceased Workers: Spouse[3] Not Caring for Child, Age 65[4]	Benefits for Survivors of Deceased Workers: Spouse[3] Not Caring for Child, Age 60 or Age 50-59 and Disabled	Benefits for Survivors of Deceased Workers: One Child	Benefits for Survivors of Deceased Workers: Spouse[3] and One Child or Two Children	Maximum Family Benefit for Retirement and Survivors[5]	Maximum Family Benefit for Disability
% of PIA	100%	80%	50%	37½%	50%	100%	71½%	75%	150%	150-188%	100-150%
$ 800	$ 488	$ 390	$244	$183	$244	$ 488	$349	$ 366	$ 732	$ 732	$ 680
900	520	416	260	195	260	520	372	390	780	789	765
1,000	552	442	276	207	276	552	395	414	828	876	828
1,100	584	467	292	219	292	584	417	438	876	963	876
1,200	616	493	308	231	308	616	440	462	924	1,051	924
1,300	648	518	324	243	324	648	463	486	972	1,138	972
1,400	680	544	340	255	340	680	486	510	1,020	1,225	1,020
1,500	712	570	356	267	356	712	509	534	1,068	1,312	1,068
1,600	744	595	372	279	372	744	532	558	1,116	1,392	1,116
1,700	776	621	388	291	388	776	555	582	1,164	1,435	1,164
1,800	808	646	404	303	404	808	578	606	1,212	1,478	1,212
1,900	840	672	420	315	420	840	600	630	1,260	1,521	1,260
2,000	872	698	436	327	436	872	623	654	1,308	1,564	1,308
2,100	904	723	452	339	452	904	646	678	1,356	1,607	1,356
2,200	936	749	468	351	468	936	669	702	1,404	1,650	1,404
2,300	968	774	484	363	484	968	692	726	1,452	1,694	1,452
2,500	1,018	815	509	382	509	1,018	728	764	1,528	1,782	1,528
2,700	1,048	839	524	393	524	1,048	749	786	1,572	1,834	1,573
2,900	1,078	863	539	404	539	1,078	771	809	1,618	1,887	1,618
3,100[6]	1,108	887	554	415	554	1,108	792	831	1,662	1,939	1,663
3,300	1,138	911	569	427	569	1,138	814	854	1,708	1,992	1,708
3,500	1,168	935	584	438	584	1,168	835	876	1,752	2,044	1,753
3,700	1,198	959	599	449	599	1,198	857	899	1,798	2,097	1,798
3,900	1,228	983	614	460	614	1,228	878	921	1,842	2,149	1,843
4,100	1,258	1,007	629	472	629	1,258	900	944	1,888	2,202	1,888
4,300	1,288	1,031	644	483	644	1,288	921	966	1,932	2,254	1,933
4,500[7]	1,318	1,055	659	494	659	1,318	943	989	1,978	2,307	1,978
4,700[8]	1,348	1,079	674	505	674	1,348	964	1,011	2,022	2,359	2,023

All numbers are rounded to the next lower whole dollar, in accordance with Social Security law. The Primary Insurance Amount (PIA) formula, the Maximum Family Benefit (MFB) formula, and the reduction factors for early retirement are shown on pages 46-47

[1] Applies to persons reaching age 62, or dying or becoming disabled before age 62, in 1993. For persons who were 62 before 1993, see Item (8) on page 47. **Benefits are increased annually for changes in the cost of living in and after the first year of eligibility (e.g., becoming age 62).**

[2] The disability benefit for a worker is the PIA, unless the worker was already receiving a benefit reduced for early retirement.

[3] Divorced spouses who qualify receive the same benefits as spouses. Benefits to divorced spouses are not ordinarily subject to the family maximum, however.

[4] A surviving spouse's benefit at age 65 is the PIA, unless the worker was receiving a benefit reduced for early retirement. In that case, the benefit will be the reduced amount that the worker was receiving, but not less than 82½% of the PIA.

[5] Any reduction for retirement before age 65 for workers, spouses, and surviving spouses is deducted.

[6] The maximum AIME for persons reaching age 62 in 1993 is generally $3,164, resulting in an age-62 benefit of $894 and an age-65 benefit of $1,118, assuming no earnings at ages 62-64. (For persons reaching age 65 in 1993, the maximum AIME is $2,878; a different table is used to obtain the monthly benefit amounts, and the age-65 benefit is $1,128.)

[7] The maximum AIME for persons becoming disabled in 1993 is $4,537.

[8] The maximum AIME for persons dying in 1993 is $4,712, when earnings in 1993 are included.

Family Benefits

If you become disabled, your family members can receive benefits under the same rules that would apply if you retired (see page 16). The Maximum Family Benefit, including your benefit, is generally 150% of your PIA. This is lower than for retirement and survivor benefits (see pages 17 and 47).

The following table shows the percentage of your PIA payable to your family members if you qualify for disability benefits.

Benefits Paid To	Percent of Your PIA Payable
Spouse, age 65	50%
Spouse, age 62	37.5%
Spouse with child under 16 or disabled	50%
Eligible child	50%

Rehabilitation

When you apply for disability benefits, you may be referred to the appropriate state agency for rehabilitation services.

Workers' Compensation

The law provides for a possible reduction in disability benefits when you are also receiving workers' compensation or certain other disability benefits under federal, state, or local law. The total of all disability benefits may not exceed 80% of your recent earnings before your disability began. Veterans Administration benefits based on financial need and benefits based on government employment covered by Social Security do not cause any reduction.

Earnings Limitation

The Earnings Limitation (see pages 18-19) applies individually to each family member receiving benefits on the worker's earnings record. The disabled worker must also report all earnings to Social Security. The usual Earnings Limitation does not apply to the worker, but all earnings are considered by Social Security when making periodic decisions about the continuing nature of the disability.

Trial Work

If you are a disabled beneficiary, you are encouraged to go back to work, if you are able to. However, you must notify Social Security of all work attempts. Benefits can continue throughout a nine-month (not necessarily consecutive) trial work period, plus an additional three-month grace period. A month in which earnings exceed $200 generally counts as a month of trial work. After the three-month grace period, benefits are suspended, if earnings are considered substantial. Benefits can be reinstated during a 36-month extended period of eligibiility for any month that earnings do not exceed $500. Also, Medicare coverage can continue for at least 39 months after completion of the trial work period.

How To Figure Your Disability Benefit Amount

Your disability benefit equals your PIA at the time that disability occurs. To figure your PIA, you need to know your earnings history, because your PIA is based on your Average Indexed Monthly Earnings (AIME). By following the steps below, you can figure your own AIME. This, in turn, will give you a good estimate of your PIA if you become disabled in 1993. The following instructions do not apply to persons born before 1931.

Here's how to figure your AIME:

1. In column C of the worksheet on the next page, enter your earnings for each year through 1992. **You can get this information from the Earnings and Benefit Estimate Statement** that you can receive from Social Security (see page 42). If your earnings for any year were less than the Maximum Taxable Amount, use the earnings.

Worksheet for Figuring Your Indexed Earnings

A Calendar Year	B Maximum Taxable Amount	C Enter Your Taxable Earnings	×	D Index Factor	=	E Indexed Earnings	F High Years
1951	$ 3,600			7.79219			
1952	3,600			7.33577			
1953	3,600			6.94761			
1954	3,600			6.91194			
1955	4,200			6.60669			
1956	4,200			6.17480			
1957	4,200			5.98937			
1958	4,200			5.93707			
1959	4,800			5.65683			
1960	4,800			5.44321			
1961	4,800			5.33714			
1962	4,800			5.08263			
1963	4,800			4.96097			
1964	4,800			4.76619			
1965	4,800			4.68189			
1966	6,600			4.41677			
1967	6,600			4.18373			
1968	7,800			3.91467			
1969	7,800			3.70080			
1970	7,800			3.52583			
1971	7,800			3.35714			
1972	9,000			3.05750			
1973	10,800			2.87746			
1974	13,200			2.71601			
1975	14,100			2.52715			
1976	15,300			2.36402			
1977	16,500			2.23035			
1978	17,700			2.06627			
1979	22,900			1.90005			
1980	25,900			1.74305			
1981	29,700			1.58364			
1982	32,400			1.50100			
1983	35,700			1.43128			
1984	37,800			1.35181			
1985	39,600			1.29657			
1986	42,000			1.25920			
1987	43,800			1.18371			
1988	45,000			1.12814			
1989	48,000			1.08518			
1990	51,300			1.03727			
1991	53,400			1.00000			
1992	55,500			1.00000			

NOTE: Index factors change each year based on U.S. average wage.

2. Multiply earnings for all years by the Index Factors in column D. The index factors make past earnings comparable to the level of earnings today. Enter the results of your multiplication in column E, Indexed Earnings.
3. Not all indexed earnings are used to figure your AIME. The table below shows how many years of earnings to use if you become disabled in 1993. If you were born on January 1, refer to the year prior to the year of your birth. (The rule for determining how many years to use is on page 46.) If you are disabled after age 24 but before age 37, you may reduce the number of years shown by one for each year in which a child of yours (or your spouse) under age 3 lived in your home, and you were not employed, up to a maximum of 2 years if you are age 26-31 and of 1 year if you are age 25 or age 32-36.

Number of Years Used To Figure Average Indexed Monthly Earnings

Year of Birth	Number of Years	Year of Birth	Number of Years
1928	34	1950	17
1929-31	35	1951	16
1932	34	1952	16
1933	33	1953	15
1934	32	1954	14
1935	31	1955	13
1936	30	1956	12
1937	29	1957	12
1938	28	1958	11
1939	27	1959	10
1940	26	1960	9
1941	25	1961	8
1942	24	1962	8
1943	23	1963	7
1944	22	1964	6
1945	21	1965	5
1946	20	1966	4
1947	20	1967	4
1948	19	1968	3
1949	18	After 1968	2

Enter the number of years you must use . . . ________________

4. On the worksheet, put a check mark in column F, High Years, by the years of your highest indexed earnings in column E until you have checked the number of years you must use from (3).
5. Add up all the indexed earnings in column E for the years you have checked in column F.
   . . . . . . $ ________________
6. Multiply the number of years in (3) by 12 to get months.
   . . . . ________________
7. Divide the total earnings shown in (5) by the months shown in (6) to get your AIME (drop cents).
   . . . . . . $ ________________

Now, to figure your PIA:

8. If you become disabled in 1993, look at the table on pages 24-25. Find your AIME from (7) as closely as possible in the first column of the table. The numbers on this line show your approximate PIA and the disability benefits based on it. For a more precise benefit determination, apply the 1993 benefit formula shown on page 46. The benefit amount is increased by the cost-of-living percentage effective for December each year and normally payable early in January.

Example — Disability Benefits

Albert and His Family

Albert is disabled at age 39 in 1993. His PIA is $900. He has a wife, Margaret, age 39; a son, Billy, age 12; and a son, Mike, age 8.

Albert's Qualifications For Disability Benefits

When Albert became disabled, he had earned 60 quarters of Social Security coverage since he was 21, including 20 in the last 10 years. He had enough quarters to be eligible for benefits.

He was disabled on February 15 and had to wait five full calendar months — March through July — until his benefit began. His first check for August came on September 3.

Albert is entitled to his PIA of $900, with no reduction because of his age, plus cost-of-living increases. Each of the three other members of Albert's family would be entitled to $450, which is 50% of Albert's PIA. This adds up to a total of $2,250, which is over the Maximum Family Benefit of $1,350. Albert can receive his full benefit of $900, but each family member receives $150.

Benefits Payable

Albert	$900
Margaret	150
Billy	150
Mike	150
Total	$1,350

Albert, Two Years Later

Albert, still disabled, becomes eligible for Medicare in August 1995, even though he's far from 65 years old. Albert's family is not eligible for Medicare, however.

Six Years Later

Billy's benefit stops when he reaches age 18 and completes high school. Because the family benefit is still 150% of the PIA, the total remains the same. Albert receives $900; Margaret receives $225; Mike receives $225.

Eight Years Later

Social Security reviews the case periodically to see if Albert, age 47, remains disabled. His disability continues.

Albert's youngest child, Mike, is 16. Margaret's benefit stops because she is no longer caring for a child under age 16.

If Mike is still in high school, his benefit can continue until age 19; otherwise, it stops at age 18.

Albert and Margaret, Age 62 in 2016

At 62, Margaret is again eligible for benefits as Albert's wife. She is entitled to 50% of Albert's PIA when she is 66, which is the Normal Retirement Age for workers and spouses born in 1954. However, because she is receiving the benefit at 62, it is reduced by 30%, and she receives $315.

Albert continues to receive his PIA of $900 as a disability benefit. Their total income is $1,215.

Albert and Margaret, Age 66 in 2020

Albert's disability benefit stops when he reaches Normal Retirement Age, but his retirement benefit begins automatically. It's the same amount — $900.

If Margaret had waited until age 66 to receive her benefit, she would have been entitled to the full 50% of Albert's PIA, or $450.

Their total retirement benefit would then have been:

$ 900	Albert's benefit
450	Margaret's benefit
$1,350	Total retirement income

7

Survivor Benefits

The amount of survivor benefits paid to your family members is based on your PIA at the date of your death.

Easy-Reference Table

The table below shows the approximate monthly benefit amounts payable to your family members if you die in 1993. The figures are based on the assumption that you have worked steadily and received average pay raises throughout your working career. By following the steps described on pages 33-35, you can make a more accurate calculation.

Like other Social Security benefits, survivor benefits are increased each year to reflect changes in the cost of living.

Monthly Benefits if You Die in 1993

Your Age in 1993	Who Receives Benefits	Your Present Annual Earnings: $12,000	$20,000	$30,000	$42,000	$57,600 and Up
65	Spouse, age 65	$529	$ 728	$ 970	$1,066	$1,128
	Spouse, age 60	378	521	693	762	807
	Child; spouse caring for child	397	546	727	799	846
	Maximum family benefit	816	1,357	1,696	1,865	1,974
60	Spouse, age 65	527	724	962	1,064	1,126
	Spouse, age 60	377	517	687	761	805
	Child; spouse caring for child	395	543	721	798	845
	Maximum family benefit	809	1,344	1,684	1,862	1,971
55	Spouse, age 65	527	724	968	1,081	1,154
	Spouse, age 60	377	517	692	773	825
	Child; spouse caring for child	395	543	726	810	866
	Maximum family benefit	809	1,344	1,693	1,891	2,020
50	Spouse, age 65	527	724	970	1,102	1,191
	Spouse, age 60	377	518	694	788	852
	Child; spouse caring for child	395	543	728	826	893
	Maximum family benefit	809	1,345	1,698	1,928	2,084
45	Spouse, age 65	527	724	971	1,122	1,236
	Spouse, age 60	377	518	694	802	883
	Child; spouse caring for child	395	543	728	841	927
	Maximum family benefit	810	1,345	1,698	1,962	2,162
40	Spouse, age 65	528	725	971	1,129	1,282
	Spouse, age 60	377	518	694	807	916
	Child; spouse caring for child	396	543	728	846	961
	Maximum family benefit	810	1,346	1,699	1,975	2,243
35	Spouse, age 65	528	726	973	1,129	1,302
	Spouse, age 60	377	519	695	807	931
	Child; spouse caring for child	396	544	729	847	976
	Maximum family benefit	811	1,349	1,702	1,976	2,278
30	Spouse, age 65	531	730	979	1,134	1,319
	Spouse, age 60	379	522	700	810	943
	Child; spouse caring for child	398	547	734	850	989
	Maximum family benefit	818	1,361	1,713	1,983	2,308

Lump-Sum Death Benefit

If you die, whether still working or retired, a lump sum of $255 is payable to a surviving spouse who was living with you at the time of death. If you don't have a spouse living with you, then payment may be made to a spouse or children who are immediately eligible for monthly benefits based on your earnings record. Otherwise, the benefit is not payable.

Qualifications for Survivor Benefits

For your survivors to receive monthly benefits or the lump-sum death payment, you must be either:

- currently insured (provides eligibility for some benefits, but not all), or
- fully insured.

Currently Insured

To be currently insured, you need to have earned six quarters of coverage during the 13 calendar quarters ending with the quarter in which you die.

If you are currently insured, the lump-sum death benefit is payable, and the following survivors qualify for monthly benefits:

- a spouse or divorced spouse caring for an eligible child who is under age 16 or disabled before age 22, and
- any eligible children under age 18; under age 19, if in high school; or disabled before age 22.

Fully Insured

The following table shows how many quarters of coverage you need to be fully insured. To use the table, find your year of birth. Next to it is the number of quarters you must have if you die in 1993. For example, if you were born in 1940, you need 31 quarters of coverage to be fully insured. If you were born on January 1, refer to the year prior to the year of your birth. (The rule for determining the number of quarters required is on page 46.)

Quarters of Coverage Required To Be Fully Insured if You Die in 1993

Year of Birth	Quarters	Year of Birth	Quarters
1923	34	1945	26
1924	35	1946	25
1925	36	1947	24
1926	37	1948	23
1927	38	1949	22
1928	39	1950	21
1929-31	40	1951	20
1932	39	1952	19
1933	38	1953	18
1934	37	1954	17
1935	36	1955	16
1936	35	1956	15
1937	34	1957	14
1938	33	1958	13
1939	32	1959	12
1940	31	1960	11
1941	30	1961	10
1942	29	1962	9
1943	28	1963	8
1944	27	1964	7
		After 1964	6

Family Benefits

Here are some examples of surviving family members who may receive benefits based on your PIA. The table also shows the percentage of your PIA payable to each member.

Who Receives Benefits if You Die

Benefits Paid To	Percent of Your PIA Payable
Spouse, age 65*	100%
Spouse, age 62	82.9%**
Spouse, age 60	71.5%
Disabled spouse, age 50-59	71.5%
Spouse under age 61 with eligible child who is under 16 or disabled	75%
Each child	75%

* When Normal Retirement Age for workers rises (see page 47), this age will rise, too (but starting two years later).

** Slightly reduced, starting in 2002 (see page 47).

Eligibility

Your spouse qualifies for survivor benefits if:

- married to you for nine months before your death (if death is due to an accident or military duty, no length of marriage is required), or
- the parent of your child (natural or adopted).

Surviving Spouse, Age 60 or Over

If you die before you are entitled to retirement benefits, or after retiring at the Normal Retirement Age (NRA), currently 65, the benefit is 100% of your PIA if your spouse has reached NRA, currently 65. If your spouse is younger, a reduction applies (see page 47).

However, if you retired before the NRA and had a reduced benefit, your spouse will receive (1) 100% of your PIA; but reduced if your spouse is under the NRA or (2) the reduced benefit that you were receiving (but in no case less than 82½% of your PIA), whichever is **smaller.** If you retired after the NRA, your spouse will receive the same benefit, including the delayed retirement credit, that you had, but reduced if your spouse is under the NRA at the time of your death.

Your **divorced spouse** qualifies for a benefit if married to you for 10 years. The benefit is the same as that payable to a spouse.

If your surviving spouse or surviving divorced spouse remarries before age 60, benefits are not payable unless the subsequent marriage ends. Remarriage after attaining age 60 does not prevent or stop entitlement to benefits.

Disabled Surviving Spouse

Your **disabled spouse** age 50-59 who because of a severe mental or physical impairment cannot perform any substantial gainful work will qualify for benefits if the disability has lasted five full months. The benefit is 71½% of your PIA.

Remarriage by your disabled surviving spouse or disabled surviving divorced spouse after age 50 and after the date he or she became disabled, does not prevent or stop entitlement to benefits.

Your **disabled divorced spouse** qualifies in the same way as a disabled spouse if the marriage lasted at least 10 years.

Surviving Spouse Caring for Child

Your **spouse or divorced spouse caring for an eligible child** who is under age 16 or disabled before age 22, receives 75% of your PIA. The benefit stops when the youngest child reaches age 16, unless caring for a child who was disabled before age 22. Your divorced spouse is not required to have been married to you for a specified length of time for this type of benefit. Remarriage terminates the benefit.

Eligible Child

An eligible child (see page 17), qualifies for a benefit of 75% of the deceased parent's PIA. If both parents are dead, a child can qualify for benefits on the earnings record of either the mother or father, whichever gives the larger benefit. If the child gets married, the benefit terminates.

Dependent Parents

Your father or mother age 62 or over can qualify for survivor benefits if, at the time of your death, he or she was receiving at least one-half support from you. The benefit is 82½% of your PIA. However, if both parents are entitled to benefits, each receives 75%.

Maximum Family Benefit

The Maximum Family Benefit described on page 17 applies.

Non-Duplication of Benefits

A person eligible for more than one Social Security benefit for a particular month receives, in effect, the larger of the two benefits. For example, a widow of a deceased worker may receive a retirement benefit based on her own work record or a widow's benefit, but not both amounts.

Earnings Limitation

Anyone receiving survivor benefits is subject to the Earnings Limitation and will lose benefits if earnings exceed the limit. See pages 18-19 for a full explanation of this limitation.

How To Figure Survivor Benefits

Survivor benefits are based on your PIA at the time of your death. To figure your PIA, you need to know your earnings history, because your PIA is based on your Average Indexed Monthly Earnings (AIME). By following the steps below, you can figure your own AIME. This, in turn, will give you a good estimate of your PIA if you die in 1993. The following instructions do not apply to persons born before 1931.

Here's how to figure your AIME:

1. In column C of the worksheet on the next page, enter your earnings for each year, including 1993. **You can get this information from the Earnings and Benefit Estimate Statement** that you can receive from the Social Security Administration (see page 42). If your earnings for any year were less than the Maximum Taxable Amount, use the earnings.
2. Your earnings are multiplied by the Index Factors in column D. The index factors make past earnings comparable to the level of earnings today. Enter the results of your multiplication in column E, Indexed Earnings.
3. Not all indexed earnings are used to figure your AIME. The table below shows how many years of earnings to use for death in 1993. If you were born on January 1, refer to the year prior to the year of your birth. (The rule for determining the number of years to use is on page 46.)

Number of Years Used To Figure Average Indexed Monthly Earnings

Year of Birth	Number of Years	Year of Birth	Number of Years
1923	29	1945	21
1924	30	1946	20
1925	31	1947	19
1926	32	1948	18
1927	33	1949	17
1928	34	1950	16
1929-31	35	1951	15
1932	34	1952	14
1933	33	1953	13
1934	32	1954	12
1935	31	1955	11
1936	30	1956	10
1937	29	1957	9
1938	28	1958	8
1939	27	1959	7
1940	26	1960	6
1941	25	1961	5
1942	24	1962	4
1943	23	1963	3
1944	22	After 1963	2

Enter the number of years you must use ...... ______________

Worksheet for Figuring Your Indexed Earnings

A Calendar Year	B Maximum Taxable Amount	C Enter Your Taxable Earnings ×	D Index Factor =	E Indexed Earnings	F High Years
1951	$ 3,600		7.79219		
1952	3,600		7.33577		
1953	3,600		6.94761		
1954	3,600		6.91194		
1955	4,200		6.60669		
1956	4,200		6.17480		
1957	4,200		5.98937		
1958	4,200		5.93707		
1959	4,800		5.65683		
1960	4,800		5.44321		
1961	4,800		5.33714		
1962	4,800		5.08263		
1963	4,800		4.96097		
1964	4,800		4.76619		
1965	4,800		4.68189		
1966	6,600		4.41677		
1967	6,600		4.18373		
1968	7,800		3.91467		
1969	7,800		3.70080		
1970	7,800		3.52583		
1971	7,800		3.35714		
1972	9,000		3.05750		
1973	10,800		2.87746		
1974	13,200		2.71601		
1975	14,100		2.52715		
1976	15,300		2.36402		
1977	16,500		2.23035		
1978	17,700		2.06627		
1979	22,900		1.90005		
1980	25,900		1.74305		
1981	29,700		1.58364		
1982	32,400		1.50100		
1983	35,700		1.43128		
1984	37,800		1.35181		
1985	39,600		1.29657		
1986	42,000		1.25920		
1987	43,800		1.18371		
1988	45,000		1.12814		
1989	48,000		1.08518		
1990	51,300		1.03727		
1991	53,400		1.00000		
1992	55,500		1.00000		
1993	57,600		1.00000		

NOTE: Index factors change each year based on U.S. average wage.

4. On the worksheet, put a check mark in column F, High Years, by the years of your highest indexed earnings in column E until you have checked the number of years you must use from (3).
5. Add up all the indexed earnings in column E for the years you have checked in column F.
   . . . . $ ____________
6. Multiply the number of years in (3) by 12 to get months.
   . . . . ____________
7. Divide the total earnings shown in (5) by the months shown in (6) to get your AIME (drop cents).
   . . . . $ ____________

Now, to figure your PIA:

8. If death occurs in 1993, look at the table on pages 24-25. Find your AIME from (7) as closely as possible in the first column of the table. The numbers on this line are your approximate PIA and the survivor benefits based on it. For a more precise benefit determination, apply the 1993 benefit formula shown on page 46. The benefit amount is increased by the cost-of-living percentage effective for December each year and normally payable early in January.

Example — Survivor Benefits

In 1993, Sam dies at age 45, leaving five survivors. Each family member is entitled to a monthly benefit based on Sam's PIA of $800, as shown below:

Survivor	Qualification for Benefit	Percent of Sam's PIA	Unadjusted Monthly Benefit Amounts
Mary	Wife, age 45, caring for child under age 16	75	$ 600
Bob	Age 18, in high school	75	600
Larry	Age 15	75	600
Suzanne	Age 11	75	600
Gwendolyn	Sam's dependent mother, age 75	82.5	660
		Total	$3,060

In the case of Sam's family, the Maximum Family Benefit is $1,467. This means that everyone's benefit must be reduced proportionately so that the total doesn't go over that amount.

Adjusted Monthly Benefit Amounts

Mary	$ 288
Bob	288
Larry	288
Suzanne	288
Gwendolyn	315
Total	$1,467

Bob Graduates from High School

When Bob graduates from high school at age 18, he is no longer eligible for Social Security benefits. His monthly benefit of $288 stops. However, the rest of the family continues to receive the same total benefit. From the total original entitlement of $3,060, subtract $600 for Bob, leaving $2,460. That's still larger than the Maximum Family Benefit of $1,467. The total stays the same, but each person's check will now be for a different amount.

Readjusted Benefits after Bob Graduates

Mary	$ 358
Larry	358
Suzanne	358
Gwendolyn	393
Total	$1,467

Suzanne Reaches Age 16

Mary's benefit as a mother caring for an eligible child stops when Suzanne reaches age 16. (Larry is ineligible by then because he is over age 18.) However, Suzanne remains entitled to a benefit until she is 18 (or 19 if she is still in high school). Gwendolyn's benefit also continues. The family's total benefit becomes:

Suzanne	$ 600
Gwendolyn	660
Total	$1,260

Suzanne Reaches Age 18

When the youngest child reaches age 18 and has completed high school, all the children's benefits will have stopped. Gwendolyn died last year. No further benefits are payable until Mary reaches age 60, unless she becomes disabled and qualifies as a disabled surviving spouse.

Mary at Age 60 in 2008

Mary can claim a surviving spouse's benefit of $572 a month for the rest of her life. That amount is 71½% of Sam's PIA of $800. Or, she can wait until she reaches her Normal Retirement Age of 66 to start receiving her benefit. If she works after her benefits begin, she is subject to the Earnings Limitation (see pages 18-19).

Mary at Age 66 in 2014

If Mary waits until she is 66 before receiving benefits, she will receive 100% of Sam's PIA, or $800 a month. The Earnings Limitation continues to apply until age 70.

8

Medicare

The Medicare program has two parts. Part A is Hospital Insurance. Part B is Supplementary Medical Insurance.

Part A of Medicare pays some of the costs of hospitalization, certain related inpatient care, and home health services. Part B primarily covers doctors' fees, most outpatient hospital services, and certain related services.

These programs are financed in completely different ways. Part A, for almost everybody, is financed primarily by payroll taxes based on covered work before and after becoming eligible for benefits. Part B is financed partly by monthly premiums from those who enroll in the program and partly by the general revenues of the federal government.

When you enroll in Part A of Medicare, you also automatically enroll in Part B, unless you tell the Social Security Administration that you don't want it. If you enroll in Part B at the earliest opportunity, you pay premiums of $36.60 per month during 1993. These premiums, which pay only about one-fourth of the cost of Part B, are ordinarily deducted from your Social Security benefits, if you get them. If you enroll late, or if you drop out and enroll again, you may have to pay higher premiums. You will pay 10% more for each full twelve months that you did not participate when you were eligible. You don't include any months when you weren't enrolled in Part B while an active employee, or spouse of an active employee, covered by an employer-sponsored group insurance plan. The monthly premiums are adjusted every January.

When It's Available

Medicare becomes available at the beginning of the month in which you turn 65, whether you are retired or still working. Medicare also becomes available after you have been receiving Social Security disability benefits for two years, or if you have chronic kidney disease. Certain of your family members with kidney disease may also qualify.

You automatically apply for Medicare when you apply for Social Security benefits. If you plan to work past age 65, you should apply for Medicare separately when you turn 65. Your spouse can qualify for Medicare Part A at age 65 based on **your** work record if you are **eligible** for monthly Social Security benefits, even if you are not yet 65. Almost everyone in the U.S. can enroll in Part B at age 65 but they must pay the monthly premium.

Hospital Insurance Benefits

In addition to the basic benefits for inpatient hospital care, Part A provides benefits for skilled nursing facility care, home health services, and hospice care. You must, in most cases, pay part of the costs of covered services. Some people carry additional private insurance — Medicare supplement policies — to cover some or all of the costs Medicare doesn't cover. Medicare covers only services that are medically necessary and charges that are considered reasonable.

The amounts you pay change each year, depending on increases in hospital costs. The following description is based on 1993 amounts, which will increase again in 1994.

Hospital Benefits. When you are admitted to a hospital, you will have to pay an initial deductible of $676, but no more than the actual charges.

After the first 60 days, you will have to pay $169 per day. After 90 days, you can choose to pay $338 per day for up to 60 "lifetime reserve" days (or else pay the full charges yourself). Your "benefit period" ends 60 days after discharge from the hospital or skilled nursing facility. If another hospital admission occurs after that, you will have to pay another deductible, as well as the other cost-sharing amounts.

Skilled Nursing Facility Benefits. You may qualify for benefits at a skilled nursing facility if both the facility and your diagnosis and treatment plan meet Medicare's strict standards. Daily skilled nursing or rehabilitation services must be available to you. You are not provided custodial care. Skilled nursing facility benefits are available to you only following a hospital stay of at least three days and beginning within 30 days of leaving the hospital.

If you qualify, you pay nothing for the first 20 days, except for any charges that Medicare does not allow. For the next 80 days, you pay $84.50 per day, and Medicare pays all remaining allowable charges. No benefits are available after 100 days of care in a "benefit period."

Home Health Services Benefits. Home health services, such as part-time or intermittent skilled nursing care, physical therapy, medical social services, medical supplies, and some rehabilitation equipment, may be paid for in full by Medicare when you are confined at home, as long as the services are prescribed by a doctor. You are **not** required to have a hospital stay before home health services are covered. Services must be provided by a home health agency that participates in Medicare.

Hospice Benefits. A hospice is an organization that furnishes a coordinated program of inpatient, outpatient, and home care for terminally ill patients. Emphasis is on counseling, control of symptoms, and pain reduction, but not curative treatment. You pay 5% of the cost for prescription drugs, but not more than $5 for each prescription, for symptom management and pain relief. Also, you pay 5% of the cost for respite care (relief worker), not to exceed five consecutive days, and not exceeding $676 in cost, for a period of hospice care. Hospice benefits are limited to 210 days unless you are recertified as terminally ill. When you choose hospice benefits, all other Medicare benefits stop, except for physician services and treatment of conditions not related to the terminal illness.

Care in Christian Science Sanatoriums. Part A of Medicare can help pay for inpatient hospital and skilled nursing facility services that you receive in a Christian Science sanatorium operated or listed and certified by First Church of Christ Scientist in Boston.

Care in Psychiatric Hospitals. Part A will pay for up to 190 days of inpatient psychiatric care in a lifetime. Restrictions apply to people who are hospitalized for psychiatric care when they are first covered by Medicare.

Care in Non-Participating Hospitals. A few qualified hospitals do not participate in the Medicare program. Medicare will pay part or, in some cases, all of your expenses in a non-participating hospital if you have an emergency and it is the closest hospital.

Supplementary Medical Insurance Benefits

In 1993, you pay the first $100 of **allowable** charges for covered medical services provided to you. This is the annual deductible. After that, Part B will pay 80% of covered expenses (which may not exceed the charges allowed by Medicare). In a few instances (such as clinical diagnostic lab tests), Part B pays **all** costs. The Medicare program covers only services that are medically necessary.

Covered items are:

- physician services, regardless of where provided, and supplies furnished as part of such services;
- physical therapy, speech pathology, and occupational therapy by physicians or institutional providers;
- services of independent physical therapists and occupational therapists, with limits on the dollar amounts of services covered in a year;
- non-routine vision services by qualified optometrists if they would be covered when performed by a physician;
- diagnostic x-ray, laboratory, and other tests;
- x-ray, radium, and radioactive-isotope therapy (including technician services);
- periodic mammography screening;
- certain drugs that cannot be self-administered;
- blood for transfusions, after the first three pints per year (including any considered under Part A);
- surgical dressings, splints, casts, and similar medical supplies ordered by a doctor;
- necessary ambulance services;
- rental of durable medical equipment used in the home, including oxygen tanks, hospital beds, and wheelchairs (under some circumstances, purchase of such equipment);
- home health services (the same as provided by Part A, but with payment by **either** Part A or Part B only);
- artificial replacements for parts of the body (covered by Part A under some circumstances);
- colostomy bags and supplies; and
- braces for limbs, back, or neck.

Outpatient treatment of **mental illness** is covered under special payment rules. Medicare will ordinarily pay 50% of allowable charges. However, it will pay 80% of allowable outpatient hospital charges if you would have required admission to the hospital without the treatment.

What Medicare Does Not Cover

Medicare does not cover some expenses. A telephone call to the carrier that handles your Medicare claim is the best way to get answers to your questions about specific cases. Some of the items not covered are:

- services not reasonable or medically necessary;
- items or services for which you are not legally obligated to pay;
- services paid for by the government or workers' compensation;
- services performed by a relative or household member;
- services outside the U.S. (exceptions are Mexican and Canadian facilities if they are nearest to your home or while you are traveling to or from Alaska through Canada);
- routine physical exams, eye exams, glasses, hearing aids, and dental care;
- routine foot care and orthopedic shoes;
- custodial care;
- cosmetic surgery (except after an accident);
- most prescription drugs and medicines taken at home;
- most immunizations (pneumococcal vaccine is covered);
- private nurses; and
- extra charges for a private room (unless medically necessary), telephone, television, and other personal comfort items.

Claim Number

When you become eligible for Medicare benefits, you will receive a Medicare card containing your claim number. This number is very important to keep because no claim will be paid without it. The card is the only evidence that you are covered.

How Claims Are Paid

Claims are processed by an "intermediary" (Part A) or a "carrier" (Part B). These are insurance companies or other organizations, such as Blue Cross/Blue Shield, under contract to the government. Hospital charges to be paid by Medicare are billed to intermediaries. Doctors and other suppliers of covered medical services may submit charges directly to carriers by "taking an assignment." Doctors and suppliers who take assignment may not charge more than the amount allowable by Medicare.

Even if the doctor does not take assignment, he or she must send the claim to the Medicare carrier for you. Some charges may be higher than those allowable by Medicare, but there are limits on how much higher they can be. Because your benefit payment will be based on the allowable charge, your cost will be the excess over the allowable charge.

If you are eligible for Medicare at age 65 or older and are working for an employer with 20 or more employees, then you are entitled to the same employer-sponsored healthcare benefits offered to younger employees. If you have such benefits and are working, then Medicare is the "secondary payer," paying only with respect to charges not covered by your employer-provided plan. These rules apply to your spouse at age 65 or older if you are working for such an employer, regardless of your age. These rules also apply to any disabled Medicare enrollee who is also covered by an employer-provided healthcare plan as a "current employee" or as a family member of an employee, but only if the plan covers an employer with 100 or more employees.

Medicare is also the secondary payer when medical care can be paid for under any liability policy, such as automobile insurance.

Example of Medicare Benefits

Matilda, age 67, broke her hip in February 1993 and was taken to the hospital. The surgeon had to install a prosthetic hip joint. For the patient's own convenience, a private nurse was hired to stay with her at the hospital on the first day after the surgery. She moved from this hospital after seven days to a skilled nursing home for four days, where she received therapy. After returning home, she still needed a physical therapist and a nurse for some treatments, as well as a wheelchair and hospital bed.

Medicare paid $4,759. Matilda (or her other insurance) had to pay the remaining $1,871. She had previously paid the $100 Part B deductible for earlier expenses.

Because the charges for the doctors and for certain other services were higher than the allowable charges for the same services in her area, only the lower, allowable charges were allowed for Medicare reimbursement.

Her charges are itemized below, along with the amounts paid by various parties:

		Medicare		
Expenses	Charges	Allowed	Paid	Balance Due
Ambulance to hospital	$ 75	$ 70[a]	$ 56[b]	$ 19
Hospital	3,660[c]	3,445	2,769[d]	891
Anesthesiologist	360	300[a]	240[b]	120
Surgeon	1,380	1,150[a]	920[b]	460
Private nurse	120	0[e]	0[e]	120
Ambulance to nursing home	75	70[a]	56[b]	19
Skilled nursing home	400[f]	360	360	40
Ambulance to residence	75	70[a]	56[b]	19
Rental, wheelchair	50	40[a]	32[b]	18
Rental, hospital bed	125	100[a]	80[b]	45
Home visits, therapist	95[g]	95	95	0
Home visits, nurse	95[g]	95	95	0
Medicines taken at home	120	0	0	120
Totals	$6,630	$5,795	$4,759	$1,871

[a] Actual charge was higher than the customary charge. Doctors and other providers of services did not accept assignments (the allowed charges are 95% of Medicare's standard allowance for doctors who do not accept assignment).

[b] Covered by Part B — 80% paid.

[c] This amount is not technically a "charge." It is Medicare's allowance for Matilda's diagnosis (which is lower than the usual charges for a non-Medicare, individually-paying patient), plus the costs for luxury items that Medicare does not cover (in this case, $215 for a private room and TV rental).

[d] Exclusive of $676 deductible for 1993.

[e] Charges for private nurse are not covered by Medicare.

[f] Includes $40 for TV rental.

[g] Home health agencies must take assignment.

This example shows how helpful Medicare is when you are faced with major expenses. It also shows that you or your other insurance will have to pay some of the expenses.

9

Things To Do

You should do several things to make sure you get all the benefits to which you are entitled. Some of these things should be done now. Others should be done later.

Remember this: Social Security will not start your benefits until you file an application. Start with a phone call to the Social Security Administration's new national telephone number: 800-772-1213. Most applications can be taken by phone.

If you are late in filing an application, you may not be paid all of the benefits which you could have received.

When To Do It	What To Do
Now	• Everyone (even children) should have a Social Security number and a card showing that number. It's needed when you buy a government bond, open a savings account, and especially when you get a job. The law requires all children age 1 and over to have Social Security numbers for income tax purposes. If you have a number but have lost the card, apply for a new card but not a new number. If you have forgotten your number, the Social Security Administration can find it. Call them. • Complete and mail Form SSA-7004 attached in this booklet. The form is labeled "Request for Social Security Earnings and Benefit Estimate Statement." Sign the form before mailing it.

When To Do It	What To Do
When you receive your Earnings and Benefit Estimate Statement	• As soon as you receive the Statement, check the earnings information for errors. If you find an error, call Social Security. Also check the information for payment of payroll taxes on earnings in excess of the Maximum Taxable Amount in a year. If you have had more than one job and earned more than the maximum for that year, you probably paid excess taxes. You should have claimed a credit for these excess taxes when you filed your federal income tax return. Your W-2 forms show how much you paid. Look at the boxes labeled "Social Security tax withheld" and "Medicare tax withheld."
Periodically	• You should request your Earnings and Benefit Estimate Statement once every three years. This is especially important if you have changed employers, or if you have more than one employer. Social Security may have difficulty correcting errors that occurred long ago. If you identify an error early, you will be able to get it corrected easily.
Before you file for benefits	• Because you do not know when disability or death claims might have to be filed, why not get papers ready now? Make sure you have a certified copy of your birth certificate. Social Security cannot use ordinary photocopies. If you are filing for benefits based on your spouse's or former spouse's PIA, you will need a certified copy of your marriage certificate. If you are divorced, you will also need your divorce decree.
Three months or more before you start benefits	• File an application. Processing an application takes time. Always start the process at least three months before the date you want retirement benefits to begin. To be safe, do so in the January before you intend to retire, but not earlier than four months before your turn 62. You should file for disability or survivor benefits as soon as possible after disability or death occurs. You can start any application by calling the Social Security Administration at 800-772-1213.

If you think a decision by Social Security is wrong

- If you believe that a decision by Social Security is wrong, you can appeal within 60 days. Start by calling Social Security. They will tell you how to have your case reviewed. Several levels of appeal are possible within the Social Security Administration. After that, you can appeal to the federal courts, but you will need a lawyer.

Any time

- If you think you may be eligible for benefits, file an application. **Don't just ask** if you are eligible. An informal question is never given the attention that an application receives. If an application is incorrectly denied, its filing date will be used when your benefits do start.

After you retire

- After you start receiving benefits, if your earnings exceed the Earnings Limitation (see pages 18-19), call Social Security and report this information to them. Having benefits withheld is less painful than having to pay back benefits that should not have been paid to you. And if benefits are paid incorrectly, you **will** have to pay them back. In addition, the law provides penalties for intentionally failing to report your earnings or reporting them incorrectly.

When you reach age 70

- The Earnings Limitation does not apply beginning with the month you reach age 70. You can then earn any amount without losing any benefits.

If disabled

- File your application promptly so that it can be processed during the waiting period. Cooperate with any instructions regarding rehabilitation services. If you have a good reason not to do what is requested, call Social Security and discuss it with them. All earnings from work must be reported if you are receiving disability benefits.

Mother or father

- If you are receiving benefits because you have a child in your care, and the child leaves your care, report it at once. Payments made improperly **will** have to be repaid.

If you lose your card

- Call Social Security and give them all the information they request. They will arrange for you to receive a new card with the same number. **Do not apply for a new number.** All your earnings records are filed under the old number. You should be sure that you receive credit for all your work.

When you are close to retirement age

- If you can choose the time to retire, look carefully at the Earnings Limitation. You may be able to start your benefits effective January 1 and keep on working until you have earned the annual Earnings Limitation (see pages 18-19) before actually stopping work. In this case, you would lose no benefits at all.

If you travel outside the U.S.

- Remember that Medicare does not usually pay for hospital or other medical expenses outside the U.S. (exceptions include Canadian facilities if nearest to your home or while traveling to or from Alaska). If you plan to travel abroad, investigate other insurance.

If you become eligible for a second benefit

- Sometimes you can become eligible for a benefit on someone else's work record even though you are already receiving a benefit on your own record. Call Social Security and tell them all the facts. Tell them you want to file an application. When they know about both benefits, they will figure both, and you will get the larger one. If they do not know about one benefit because you do not apply, they cannot check to see if you should be receiving more.

Remember

- Social Security will not ordinarily look for you to pay you a benefit. They will not take any action until you apply. Then they will process your application carefully and with reasonable speed, considering that 41 million people now receive Social Security benefits each month.

You have to apply for your benefit.

10

Social Security Rules

Retirement

1. Quarters of coverage needed: Count the number of years **after** 1950 (or **after** the year you become 21, if you were born after 1930) **through** the year you become age 61. That's how many **quarters** of coverage you need to be fully insured and qualified for benefits.
2. Number of years of earnings needed: Subtract five from the number of quarters of coverage you need to be fully insured. That's how many years of earnings you must use to figure your Average Indexed Monthly Earnings (AIME).

Disability

3. Quarters of coverage needed: Count the number of years **after** 1950 (or **after** the year you become 21, if later) **through** the year before disability occurs (or **through** the year you become age 61, if earlier). That's how many **quarters** of coverage you need to be fully insured. To qualify for disability benefits, you must also meet another requirement:
   (a) If you become disabled after age 31, you need 20 quarters of coverage during the 40 calendar quarters ending with the calendar quarter in which you become disabled.
   (b) If you become disabled at ages 24-31, you need one quarter of coverage for each two calendar quarters after the time you reached 21 and before the time you become disabled, but not less than 6 quarters of coverage.
   (c) If you become disabled before age 24, you need 6 quarters of coverage in the 12-quarter period ending with the quarter you become disabled.
4. Number of years of earnings needed: Subtract a specified number of drop-out years from the number of quarters of coverage you need to be fully insured for disability on the basis described in the first sentence of item 3. The number of drop-out years is: zero, if you are under age 27 when disability occurs; 1, for ages 27-31; 2, for ages 32-36; 3, for ages 37-41; 4, for ages 42-46; and 5, for ages 47 or older. The remainder is the number of years of earnings you must use to figure your AIME. The result cannot be less than 2. However, persons disabled before age 37 may have additional child-care drop-out years (see page 28).

Death

5. Quarters of coverage needed: Count the number of years **after** 1950 (or **after** the year you become 21, if later) **through** the year before death occurs (or **through** the year you become age 61, if earlier). The result cannot be less than 6. That's how many quarters of coverage you need to be fully insured so that your dependents are qualified for all survivor benefits.
6. Number of years of earnings needed: Subtract five from the number of quarters of coverage you need to be fully insured for survivor benefits. The result cannot be less than 2. That's how many years of earnings you must use to figure your AIME.

Primary Insurance Amount (PIA) formula

7. For persons attaining age 62 in 1993, or becoming disabled or dying before age 62 in 1993, the PIA is 90% of the first $401 of AIME, plus 32% of the next $2,019 of AIME, plus 15% of AIME in excess of $2,420.

The dollar amounts in the formula, as it applies after 1993 to persons attaining age 62, or becoming disabled or dying before age 62, are adjusted annually by changes in the national indexing average wage. The benefit amounts resulting from the formula are increased annually to reflect changes in the cost of living.

8. For persons who attained age 62 before 1993 (born **before** 1931), multiply the 1993 index factors (page 13) by the multiplier shown below (the result cannot be less than 1). Use the new factors to complete the worksheet on page 13. Then apply the appropriate PIA formula from the table below:

Year of Birth	Index Factor Multiplier	PIA Benefit Formula 90%	32%	15%
1923	0.698676	First $280	Next $1,411	Over $1,691
1924	.739747	297	1,493	1,790
1925	.771264	310	1,556	1,866
1926	.794156	319	1,603	1,922
1927	.844803	339	1,705	2,044
1928	.886411	356	1,789	2,145
1929	.921507	370	1,860	2,230
1930	.964073	387	1,946	2,333

To the resulting monthly benefit figure, apply cost-of-living adjustments (COLAs) for the year of attainment of age 62 **and all subsequent years, as follows:**

Year	COLA	Year	COLA
1985	3.1%	1989	4.7%
1986	1.3	1990	5.4
1987	4.2	1991	3.7
1988	4.0	1992	3.0

NOTE: These COLAs were effective for December and normally payable beginning in January.

Maximum Family Benefit (MFB) formula

9. For persons attaining age 62 in 1993, or dying before age 62 in 1993, the MFB is 150% of the first $513 of PIA, plus 272% of the next $227, plus 134% of the next $226, plus 175% of PIA in excess of $966. For disabled persons, the MFB is the smaller of (a) 150% of PIA, or (b) 85% of the AIME, but not less than the PIA. The MFB is increased annually to reflect changes in the cost of living.

Reduction factors for early retirement

If a benefit begins before age 65, it is reduced as follows:

Worker at ages 62-64 (each month below 65) .... 5/9 of 1%
Spouse at ages 62-64 (each month below 65) .... 25/36 of 1%
Surviving spouse at ages 60-64 (each month below 65) .... 19/40 of 1%
Disabled surviving spouse at ages 50-59 .... 28½%

NOTE: Under legislation passed in 1983, the Normal Retirement Age (NRA) will slowly rise from 65 for persons born before 1938 (who reach age 62 before 2000 and age 65 before 2003), to 67 for persons born after 1959 (who reach 62 after 2021 and 67 after 2026). The benefit at the NRA is the PIA. As the NRA rises, the factor for the early retirement benefit at age 62 will gradually decline, starting in 2000, from 80% of the PIA to 70% of the PIA. Similarly, a spouse's early retirement benefit at age 62 will gradually change from 75% to 65% of the amount available at the NRA. Reductions will also be larger for surviving spouses first claiming benefits after age 60.

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Social Security: An Introduction
IP 153S

This Info Pack contains basic information on Social Security, including a series of CRS "fact sheets" on various aspects of the Social Security system. Also included is an issue brief outlining President Clinton's proposal to increase taxation of Social Security benefits.

Specific questions about an individual's benefit eligibility or coverage should be addressed to either the Social Security Administration's toll-free telephone number (1-800-772-1213), or to a local Social Security office. Its location and telephone number can usually be found in the telephone book (often on special blue pages) under the heading "United States Government; Health and Human Services, Department of; Social Security Administration."

Members of Congress who want further information on this topic may contact CRS at 7-5700. Additional CRS reports may be identified by looking in the current *Guide to CRS Products* (for congressional use only) under "Income Maintenance--Social Security" and in the latest *Update* under "Income Maintenance."

Other Info Packs on Social Security issues are: *Social Security Financing and Taxation: Recent Issues* (IP 435S) and *Social Security "Notch"* (IP 266S).

Constituents may find additional information on this topic in a local library through the use of *Readers' Guide to Periodical Literature*, Public Affairs Information Service (PAIS) *Bulletin*, and various newspaper indexes.

We hope this information will be helpful.

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