

Surprising Social Security Facts

One of the most popular topics trending in the financial press these days is social security. As the large group of people that comprises the baby boomer generation starts to contemplate retirement there is a growing realization that there is more to social security than what many realize.

When I talk to people about social security and the potential benefits they might receive from it the conversation often focuses on concerns about the long term viability of the program. Those are very legitimate and I think the consensus opinion on capital hill is that the program will need to be reformed in some manner in order to remain solvent long term. Just what form those changes will take is the subject of much debate and not something that I am going to speculate on.

Instead, I want to spend some time talking about some of the lesser known aspects of social security that I think people should be aware of.

First of all, social security is not just a retirement benefit.

Social security was designed not just to provide a source of secure retirement income but also to provide a federal safety net for certain circumstances. Toward that end, social security can provide benefits in the case of either death or disability.

Social Security Disability Income (SSDI) can provide benefits to both the disabled individual and potentially any dependent children (up to a certain age). The benefit amount for SSDI is calculated based on your earnings record and surprisingly the monthly benefit the claimant receives is not reduced if benefits are also paid to a child (or children). Once someone has been receiving SSDI for 24 months they may also be eligible for Medicare coverage, regardless of age. Additionally SSDI is not means tested – like social security retirement benefits you receive SSDI if you qualify for them regardless of what other sources of income or assets that you have.

An important thing to remember is that SSDI is a very different thing than most individual or group disability insurance plans. In order to qualify you have to pass two earnings related tests and be deemed disabled based on the social security administration's very strict definition of disability. To pass the earnings tests you must have both "recent work" and enough "duration of work" according to the age based tables. There are many aspects to the definition of disability but generally speaking the disability must be long term or expected to result in death and it must preclude you from gainful work in any occupation.

What then happens when someone is born disabled and therefore cannot meet the earnings tests mentioned above?

There is another social security program called Supplemental Security Income (SSI) which can provide benefits to disabled individuals (and in some cases indigent seniors)

regardless of whether they have an earnings history. Unlike SSDI however, SSI imposes financial limits on both other sources of income and available assets.

Social Security can also provide monthly survivor income benefits regardless of whether the deceased individual was receiving any type of social security benefits prior to death. Generally these benefits are for minor children but in special circumstances can extend beyond that. These benefits are also subject to an earnings test in the form of a required number of earnings credits needed based on the individual's age at the time of death.

Spouses have a number of potential ways that they can receive benefits as well. For example, married individuals are eligible to receive the higher of their own calculated retirement benefit or 50% of their spouse's calculated retirement benefit while they are both living. When one passes away the survivor can receive the higher earner's benefit instead of their own.

In addition, qualifying widows/widowers have the ability to begin receiving social security benefits as early as age 60. I recently met with a lovely lady who had recently lost her husband and was struggling financially. When I asked if she had looked into starting to receive social security benefits she replied that she had just turned 60 so was "too young for social security". I could visibly see the relief spread over her face when she learned that may not be the case.

What I find fascinating is that divorced spouses may also qualify for all of the above referenced spousal benefits as long as they were married at least ten years and are not excluded for any other reason (remarriage can end the right to some spousal benefits for example).

Interestingly, a current spouse and former spouse (or spouses) can each be entitled to an unreduced benefit at the same time. For example, if Tom were married for 12 years to Susan, then remarried Mary for 13 years and was married to Joan when he died, all three of them could be eligible for his full monthly retirement income benefit.

If there is a main lesson to be learned here it is to be aware that social security can provide a safety net for a variety of circumstances. If you would like more information about one of the programs mentioned, you can visit www.socialsecurity.gov, visit the Social Security Agency in person at a local office (listed in the phone book) or you can call them at 800-772-1213.

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