Social Security Benefits Guide for Federal Employees

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Chapter 1. Introduction

Social Security will mark its 85th anniversary on Aug. 14, 2020. Before the Federal Employees Retirement System (FERS) started on Jan. 1, 1984, few federal employees had much to do with Social Security. This is because federal employees covered by the Civil Service Retirement System (CSRS) did not pay into any part of the Social Security system until Jan. 1, 1983 when they started contributing to Medicare Part A (Hospital Insurance) via the Hospital Insurance payroll tax (currently 1.45 percent of one's salary). .

With the establishment of FERS in 1984, Social Security retirement benefits became one of three components of a FERS-covered employee's retirement. The other two components of the FERS employee's retirement being the FERS annuity and the Thrift Savings Plan. But Social Security was never intended to be the only source of income when earnings are lost due to retirement, disability or death. Social Security is designed to encourage individuals to build additional financial protection through pensions, savings, investments, life insurance and other sources.

During 2020, FERS-covered and CSRS-Offset employees contributed 6.2 percent of their gross salaries (the FICA tax) up to the maximum Social Security wage base of $137,700 (the Social Security maximum wage base). The FICA tax is matched by the employer, in this case the Federal government, also at a rate of 6.2 percent, up to the maximum wage base of $137,700 during 2020.

But CSRS-covered employees, even though they do not contribute to Social Security while employed as CSRS-covered employees, have much to gain by earning a sufficient amount of Social Security credits – namely, 40 credits - to qualify for Social Security retirement benefits. Among the reasons: all federal employees are eligible for Medicare Part B (medical insurance) when they become age 65. Most Medicare Part B recipients pay their monthly premium for Medicare Part B via a deduction of the Part B monthly premium from their monthly Social Security retirement check.

This benefits guide will explain how federal employees qualify for Social Security retirement benefits, how their families qualify for some and in some cases all of these benefits, Social Security survivor benefits, how some employees are affected by the two Social Security offsets, Social Security disability benefits, planning considerations and applying for Social Security benefits. It is hoped that this guide will assist federal employees in understanding and making the most of their Social Security benefits, both for themselves and their family members.

Chapter 2. How Federal Employees Qualify for Social Security Retirement Benefits

In general, an individual qualifies for Social Security benefits based on credits earned while working. These credits are determined by the individual's amounts of earnings. The individual's eligibility for retirement, disability and survivor's benefits is based on the credits earned over the individual's work history.

How do federal employees qualify for Social Security benefits? Depending on which retirement system an employee is covered by - CSRS, CSRS-Offset or FERS - a federal employee will qualify for benefits by earning credits as follows:

- FERS-covered employees. All employees are earning credits as their salaries are subject to the Social Security (FICA) taxes each year, up to the maximum wage base.

- CSRS-Offset covered employees. All employees are earning credits as their salaries are subject to the Social Security (FICA) tax.

- CSRS employees. All employees may have been employed in jobs before and after their years of CSRS-covered employment. During these years, these employees paid into Social Security, either as employees or they were self-employed.

- All federal employees who serve in the Uniformed Services of the U.S. since Jan. 1, 1957. This includes a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard. This includes any of the following reserve components: (1) Army; (2) Navy; (3) Marine Corps; (4) Air Force; (5) Coast Guard Reserve; (6) Reserve Corps of the Public Health Service; (7) U.S. National Guard; (8) Air National Guard of the U.S.; or (9) Air National Guard of a state or the District of Columbia. These individuals have paid into Social Security.

Amount of Credit

During 2020, individuals receive one Social Security credit for each $1,410 of earnings, up to a maximum of four credits per year. The amount of earnings needed to earn Social Security credits increases annually and is based on the increase of the average national earnings level. The credits earned by individuals remain on their Social Security record even if they change jobs or cease to have earnings.

Between 1936 and 1978, one credit of coverage was earned for Social Security covered wages of $50 or more, with a maximum of four credits per year. For years starting after December 31, 1977, the Social Security Act allowed the Commissioner of the Social Security Administration (SSA) to determine the amount of earnings required for the credit.

The credit calculation reflects changes in national wage averages. The credit amount is published in the Federal Register on or before November 1 of the preceding year, Table 1 summarizes the credit amounts per year from 1988 through 2020. *Note that the maximum number of credits that can be earned in one of those years is four.*

Table 1. Social Security Credits of Coverage and Maximum Taxable Earnings

Year	Credit of coverage	4 credits of coverage	Maximum Taxable Earnings
1988	470	1,880	45,000
1989	500	2,000	48,000
1990	520	2,080	51,300
1991	540	2,160	53,400
1992	570	2,280	55,500
1993	590	2,360	57,600
1994	620	2,480	60,600
1995	630	2,520	61,200
1996	640	2,560	62,700
1997	670	2,680	65,400
1998	700	2,800	68,400
1999	740	2,960	72,000
2000	780	3,120	76,200
2001	830	3,320	80,400
2002	870	3,480	84,400
2003	890	3,560	87,000
2004	900	3,600	87,900
2005	920	3,680	90,000
2006	970	3,880	94,200
2007	1,000	4,000	97,500
2008	1,050	4,200	102,000
2009	1,090	4,360	106,800
2010	1,120	4,480	106,800
2011	1,120	4,480	106,800
2012	1,130	4,520	110,100
2013	1,160	4,640	113,700

2014	**1,200**	**4,800**	**117,000**
2015	**1,220**	**4,880**	**118,500**
2016	**1,260**	**5,040**	**118,500**
2017	**1,300**	**5,200**	**127,200**
2018	**1,320**	**5,280**	**128,400**
2019	**1,360**	**5,440**	**132,900**
2020	**1,410**	**5,640**	**137,700**

While a maximum of four credits can be earned in a year, the earnings for the year can be earned in any quarter of the year, as example 1 illustrates.

Jean, a FERS-covered employee, earns $72,000 during 2020. During January 2020, Jean earned $5,800. Since Jean earned more than $5,640 (4 times $1,410) during 2020, Jean receives four credits for 2020.

Number of Credits Needed

Any individual born in 1929 or later needs 10 years of Social Security-covered employment to be eligible for retirement benefits. Individuals born before 1929 need fewer years of Social Security covered work to receive retirement benefits, as Table 2 illustrates.

Table 2. Minimum number of credits required to qualify for Social Security retirement benefits.

Year Born	Credits Required
1929 or later	40
1928	39
1927	38
1926	37
1925	36
1924	35
1923	34
1922	33
1921	32
1920	31

As just discussed, individuals must achieve the minimum number of credits to qualify for retirement benefits. But there is a maximum amount of Social Security covered earnings each year that qualify in computing the amount of benefit.

For years after 1981, the maximum wage amount can be increased either by Congress or automatically, based on the cost of living. If Congress does not increase the maximum amount, it is automatically increased in multiples of $300. The increased amount is officially published in the Federal Register on or before November 1 of the year before it goes into effect. Table 1 presents, by year, the maximum amount of earnings subject to the FICA tax.

Federal employees can also earn Social Security credits by becoming self-employed and running a small business with a profit motive.

Also, federal employees who service in the Uniform Service, either on active duty or active duty for training, earn Social Security credits. Work as a member of the Armed Forces Reserve, while on inactive duty training, such as weekend drills, is covered beginning Jan. 1, 1988.

The head of the respective service departments determined the following: (1) whether and when the individual has performed work creditable for Social Security purposes; (2) the amount of wages paid; and (3) the periods that wages were paid.

Deemed Wage Credits after 1956

A Uniformed Service member may have wage credits in addition to basic pay received for active duty or active duty for training. These credits are subject to the maximum earnings limitation on income table for Social Security purposes. These *deemed wage credits* are granted in recognition of the fact that covered basic pay is increased by various allowances that are part of the actual reimbursement for services.

How deemed wage credits are granted. Deemed wage credits are granted as follows:

1) *For years 1957 through 1977.* Service members are granted $300 for each calendar quarter that they receive any basic pay.

2) *For years 1978 through 2001.* Service members are granted credits in increments of $100 up to a maximum $1,200 per calendar year. The $100 increments are granted for each full $300 of basic pay. No credit is granted if the annual wages are less than $300, and no further credit may be granted when the annual wages exceed $3,600.

3) *Effective January 1, 2002.* Deemed wage credits are eliminated for all years after calendar year 2001. Deemed wage credits will continue to be given for military wages for periods prior to calendar year 2002.

When deemed wage credits are *not* granted. After Sept. 7, 1980, wage credits may not be granted to service members discharged or released from active duty before completing the minimum active duty requirements. Therefore, wage credits will not be granted.

1) *After September 7, 1980,* if service members were initially enlisted in a regular component of the Armed Forces and:

a) They did not complete at least 24 months of reenlistment or
b) The full period of active duty they were called upon to serve was less than 24 months, unless they were discharged due to:
i) Hardship, as specified in Section 1173 of Title 10 of the U.S. Code.
ii) The application of Section 1171 of Title 10 of the U.S. Code (commonly referred to as *for the convenience of the government*).
iii) Disability under certain circumstances or
iv) Death during the period of enlistment.

2) If the service members entry on active duty occurred *after* October 13, 1982, in a regular component of the Armed Forces and:
a) They did not previously complete a continuous period of active duty of at least 24 months or
b) They were discharged or released from active duty before completing the lesser of 24 months or the full period of the tour of active duty being service unless the individual was discharged or released from active duty due to:
i) Hardship, as specified in Section 1173 of Title 10 of the U.S. Code.
ii) The application of Section 1171 of Title 10 of the U.S. Code (commonly referred to as *for the convenience of the government*).
iii) Disability under certain circumstances or
iv) Death during the period of enlistment.

Computation of an Individual's Social Security Benefits

The earliest age an individual can receive Social Security retirement benefits is age 62. If the individual elects to receive the retirement benefit before full retirement age (FRA), the benefit will be reduced. The reduction is a permanent reduction and is also applied to auxiliary benefits paid to members of the individual and family (see Chapter 3 for a discussion of family Social Security benefits). This reduced benefit continues to be paid even after the individual reaches FRA.

There is no reduction for an individual who starts receiving the retirement benefit of FRA. Individuals who choose to delay receiving benefits beyond FRA receive an additional credit for each month they do not receive benefits after attaining FRA but before age 70.

All Social Security retirement benefits are based on the primary insurance amount (PIA). In some cases, a special minimum benefit is provided to some individuals. These amounts normally increase annually based on the cost-of-living benefit increase.

Additional monthly benefits, called auxiliary benefits, may be paid to other individuals such as the spouse or children and is based on the individual's working (earnings) record. These auxiliary benefits may also be payable on the individual's earnings record if the individual is entitled to a disability insurance benefit.

Until 2011, many individuals - those over age 30 - would receive each year from the Social Security Administration (SSA) (a few months before their birthday) an estimate in current dollars of their and their family's future retirement benefits. A sample of these "estimated benefits" from the SSA is presented in Table 3. Individuals may look at their statement of benefits by establishing their own account on the Social Security Web site at **www.socialsecurity.gov/myaccount**

Table 3. Sample Social Security estimate of individual benefits

Your Estimated Benefits

Based on turning age 62 in 2020

	You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working and start receiving benefits…
***Retirement**	At age 62, your payment would be about.............................$962 a month If you continue working until your full retirement age (66 years and 8 months), your payment would be about............................$1,343 a month At age 70, your payment would about be..........................$1,701 a month
***Disability**	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about...$1,248 a month
***Family**	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
	You have earned enough credits for your family to receive survivors' benefits. If you die this year, certain members of your family **may** qualify for the following benefits.
***Survivors**	Your child..$1,007 a month Your spouse who is caring for your child......................... $1,007 a month Your spouse, if benefits start at full retirement age........... $1,343 a

month
Total family benefits cannot be more than.........................$2,014 a month

Your spouse or minor child may be eligible for a special one-time death benefit of $255.

Note that all retirement benefits cease with the death of the individual recipient.

Before discussing how these benefits are computed, it is important to present the reduction percentage for starting retirement before full retirement age (FRA) and the delayed retirement credits DRC) for beginning retirement benefits after FRA. Table 4 presents, by year of birth, the FRA and monthly reductions for starting retirement benefits before FRA. Table 5 presents the DRC by FRA.

Table 4 presents Full Retirement Ages as well as adjustments to payments. Included are benefits for an individual who begins receipt of payments before Full Retirement Age (FRA).

Year of Birth*	Year Individual Turns 62	Full Retirement Age (FRA)	Per Month Reduction If Benefits Begin Prior to FRA	Age 62 Benefits as % of FRA Benefits
1936 or prior	1998 or prior	65	5/9%	80%
1937	1999	65	5/9%	80%
1938	2000	65 and 2 mos.	5/9% for 36 mos. + 5/12%/mo.**	791/6%
1939	2001	65 and 4 mos.	5/9% for 36 mos. + 5/12%/mo.**	781/3%
1940	2002	65 and 6 mos.	5/9% for 36 mos. + 5/12%/mo.**	77½%
1941	2003	65 and 8 mos.	5/9% for 36 mos. + 5/12%/mo.**	762/3%
1942	2004	65 and 10 mos.	5/9% for 36 mos. + 5/12%/mo.**	755/6%
1943–54	2005–16	66	5/9% for 36 mos. + 5/12%/mo.**	75%
1955	2017	66 and 2 mos.	5/9% for 36 mos. + 5/12%/mo.**	741/6%
1956	2018	66 and 4 mos.	5/9% for 36 mos. + 5/12%/mo.**	731/3%
1957	2019	66 and 6 mos.	5/9% for 36 mos. + 5/12%/mo.**	72½%
1958	2020	66 and 8 mos.	5/9% for 36 mos. + 5/12%/mo.**	712/3%
1959	2021	66 and 10 mos.	5/9% for 36 mos. + 5/12%/mo.**	705/6%
1960 or later	2022 or later	67	5/9% for 36 mos. + 5/12%/mo.**	70%

**Social Security considers people born on January 1 to have been born in the prior year.*

***The monthly reduction is 5/9% for the first 36 months prior to full retirement age, and 5/12% for every month after the first 36 months.*

MONTHLY BENEFITS AT FULL RETIREMENT AGE (FRA)

***FOR PEOPLE BORN BETWEEN 1954 AND 1959, THE FULL RETIREMENT AGE IS AGE 66 TO AGE 67**

Your Age In 2019	Who Receives Benefits	Your Present Annual Earnings					
		$25,000	$45,000	$65,000	$85,000	$105,000	$132,900 and Up
66*	You	$1,093	$1,565	$2,037	$2,333	$2,555	$2,861
	Spouse	546	782	1,018	1,166	1,277	1,430
65	You	1,132	1,620	2,108	2,416	2,645	2,964
	Spouse	566	810	1,054	1,208	1,322	1,482
64	You	1,166	1,669	2,172	2,491	2,726	3,056
	Spouse	583	834	1,086	1,245	1,363	1,528
63	You	1,157	1,657	2,156	2,471	2,705	3,035
	Spouse	578	828	1,078	1,235	1,352	1,517
62	You	1,163	1,664	2,165	2,484	2,719	3,051
	Spouse	581	832	1,082	1,242	1,359	1,525
61	You	1,164	1,666	2,168	2,486	2,721	3,056
	Spouse	582	833	1,084	1,243	1,360	1,528

Table 5. Percentage increase of Social Security retirement benefits for delaying the start of benefits past FRA.

Delayed Retirement Credit Rates		
Full retirement age reached....	**Monthly percentage is .....**	**Yearly percentage is ......**
Prior to 1982	1/2 of 1%	1.0%
1982 - 1989	1/4 of 1%	3.0%
1990 - 1991	7/24 of 1%	3.5%
1992 - 1993	1/3 of 1%	4.0%
1994 - 1995	3/8 of 1%	4.5%
1996 - 1997	5/12 of 1%	5.0%
1998 - 1999	11/24 of 1%	5.5%
2000 - 2001	1/2 of 1%	6.0%
2002 - 2003	13/24 of 1%	6.5%
2004 - 2005	7/12 of 1%	7.0%
2006 - 2008	5/8 of 1%	7.5%
2009 or later	2/3 of 1%	8.0%

2019 Benefit Table

Monthly Social Security Benefits for Person Attaining Age 62 or Becoming Disabled Before Age 62 in 2019, and for Survivors of Persons Dying Before Age 62 in 2019[1]

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

	Benefits for Workers and Their Families					Benefits for Survivors of Deceased Workers					
			Benefits for Family Members			Spouse[4] not Caring for Child					
			Spouse[4] Not Caring for Child								
Average Indexed Monthly Earnings (AIME)	FRA[2] Retirement Benefit or Disability Benefit[3]	Age-62 Retirement Benefit	FRA[2]	Age 62	Child or Spouse Caring For Child	Age 66	Age 60 or Age 50-59 And Disabled	One Child	Spouse[4] and One Child; or Two Children	Maximum Family Benefit for Retirement and Survivors[6]	Maximum Family Benefit for Disability
	100% of PIA	**72 ½% of PIA**	**50% of PIA**	**33 ½% of PIA**	**50% of PIA**	**100% of PIA**	**71 ½% of PIA**	**75% of PIA**	**150% of PIA**	**150-188% of PIA**	**100-150% of PIA**
$4,250	$1,897	$1,375	$948	$635	$948	$1,897	$1,356	$1,422	$2,844	$3,454	$2,845
4,500	1,977	1,433	988	662	988	1,977	1,413	1,482	2,964	3,561	2,965
4,750	2,057	1,491	1,028	689	1,028	2,057	1,470	1,542	3,084	3,668	3,085
5,000	2,137	1,549	1,068	715	1,068	2,137	1,527	1,602	3,204	3,776	3,205
5,250	2,217	1,607	1,108	742	1,108	2,217	1,585	1,662	3,324	3,883	3,325
5,500	2,297	1,665	1,148	769	1,148	2,297	1,642	1,722	3,444	4,018	3,445
5,750	2,348	1,702	1,174	786	1,174	2,348	1,679	1,761	3,522	4,109	3,522
6,000	2,386	1,729	1,193	799	1,193	2,386	1,706	1,789	3,578	4,174	3,579
6,250	2,423	1,757	1,211	811	1,211	2,423	1,732	1,817	3,634	4,240	3,635
6,500	2,461	1,784	1,230	824	1,230	2,461	1,759	1,845	3,690	4,306	3,691
6,750	2,498	1,811	1,249	837	1,249	2,498	1,786	1,873	3,746	4,371	3,747
7,000	2,536	1,838	1,268	849	1,268	2,536	1,813	1,902	3,804	4,437	3,804
7,250	2,573	1,865	1,286	862	1,286	2,573	1,840	1,930	3,860	4,502	3,860
7,500	2,611	1,893	1,305	874	1,305	2,611	1,866	1,958	3,916	4,568	3,916
7,750	2,648	1,920	1,324	887	1,324	2,648	1,893	1,986	3,972	4,634	3,972
8,000	2,686	1,947	1,343	899	1,343	2,686	1,920	2,014	4,028	4,699	4,029
8,250	2,723	1,974	1,361	912	1,361	2,723	1,947	2,042	4,084	4,765	4,085
8,500	2,761	2,001	1,380	924	1,380	2,761	1,974	2,070	4,140	4,831	4,141
8,750	2,798	2,028	1,399	937	1,399	2,798	2,000	2,098	4,196	4,896	4,197
9,000	2,836	2,056	1,418	950	1,418	2,836	2,027	2,127	4,254	4,962	4,254
9,250	2,873	2,083	1,436	962	1,436	2,873	2,054	2,155	4,310	5,027	4,310
9,500	2,911	2,110	1,455	975	1,455	2,911	2,081	2,183	4,366	5,093	4,366
9,750	2,948	2,137	1,474	987	1,474	2,948	2,108	2,211	4,422	5,159	4,422
10,000	2,986	2,164	1,493	1,000	1,493	2,986	2,135	2,239	4,478	5,224	4,479
10,296[7]	3,030	2,197	1,515	1,015	1,515	3,030	2,166	2,272	4,544	5,302	4,545

All numbers are rounded to the next lower whole dollar, in accordance with Social Security law.

[1] For persons who were 62 before 2019. 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 full retirement age (FRA) **is 66 and 6 months** for people attaining age 62 in 2019.

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

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

[5] A surviving spouse's benefit for FRA 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 82 ½% of the PIA.

[6] Any reduction for retirement before age 66 for workers, spouses, and surviving spouses is deducted.

[7] The maximum AIME for persons reaching age 62 in 2019 is generally $10,296, resulting in an age-62 benefit of $2,197 and an FRA benefit of $3,030, assuming no earnings at ages 62.

Determining the Primary Insurance Amount

Social Security benefits are calculated by reference to the primary insurance amount (PIA). Since the calculation is complicated and many of the factors change each year, the most practical way to estimate the PIA may be to have it done by the SSA. While it is quite possible to verify the SSA's computation of the PIA, the source of most errors is not the computation process itself, but the failure of the SSA to base its calculations on a correct earnings record. It is therefore important that federal employees pay close attention to the information contained in their annual statement.

The PIA is based on the average indexed monthly earnings (AIME). To calculate the AIME, the "actual earnings" (the employee's Social Security wages as shown on the employee's W2 form, which is also sent to SSA by the employer) are indexed from 1951 through the year the retiree becomes age 60 (second year before the year of first eligibility for retirement benefits) or the year before death. "Indexed" means that the earnings are adjusted to be applied in proportion to the earned level of all workers for those years. The actual reported earnings are used to compute the AIME for the years beginning with the year before the first year of eligibility. Therefore, earnings for the year in which the retiree becomes age 61 is included in the AIME but is not indexed.

Once the earnings have been indexed, the next step is to determine the highest earnings for any 35 years. The 35 years need not be consecutive. The earnings for the appropriate number of years - normally 35 - is totaled and divided by the number of months computed into years - normally 420 months or 35 years times 12 months per year. The result is the individual's averaged indexed monthly earnings (AIME).

The PIA pro duces a monthly benefit that partially replaces the loss of income due to retirement disability or death. The percentage of replaced wages provided as a benefit is skewed higher for the first (lower) wages earned. The benefit does increase as the AIME increases but not at the same percentage.

These changes in percentages are called BEND points. The PIA is the sum of three separate percentages of portions of AIME. These portions depend on the year an individual reaches age 62. Two sample PIA calculations are presented on the following pages. These calculations were downloaded from the SSA Website.

The following two examples illustrate the determination of one's Social Security retirement benefit, based on their PIA and at wage the retirement benefit starts.

Example 1. FRA: 66

Year of Birth	1943 - 1954
FRA	66
Primary Insurance Amount (Monthly Benefit at Age 66)	$2,000
Monthly Benefit at Age 62 (48 months Before FRA)	$1,500 (75% of PIA)

$1,500 times 48 months = $72,000 initial advantage at age 66
$72,000/$500 (permanent monthly reduction) = 144 months or 12 years
The initial advantage continues until age 78 (66 + 12) which is the "breakeven" age for total lifetime benefits

Monthly benefit at Age 70	$2,640

(8 percent per year increase of benefits,
or $160 per year for delaying start of Social Security benefits)
$2,000 times 48 months = $96,000 initial advantage at age 70
$96,000/640 (permanent monthly increase) = 150 months or 12.5 years
The initial advantage continues until age 82.5 (70 + 12.5) which is the "breakeven" age for total lifetime benefits.

Example 2. FRA: 67

Year of Birth	1960 or older
FRA	67
Primary Insurance Amount (Monthly Benefit at Age 67)	$2,500
Monthly Benefit at Age 62 (60 months Before FRA)	$1,750 (70% of PIA)

$1,750 times 60 months = $105,000 initial advantage at age 67
$105,000/$750 (permanent monthly reduction) = 140 months or 11 years, 8 months
The initial advantage continues until age 78 and 8 months which is the "breakeven" age for total lifetime benefits

Monthly benefit at Age 70	$3,100

(8 percent per year increase of benefits,
or $200 per year for delaying start of Social Security benefits)
$2,500 times 36 months = $90,000 initial advantage at age 70

$90,000/600 (permanent monthly increase) = 150 months or 12.5 years
The initial advantage continues until age 82.5 (70 + 12.5) which is the "breakeven" age for total lifetime benefits.

Some comments and observations

1. The Social Security retirement benefits calculations as presented above via the PIA and AIME do not take into account reduction to benefits related to the Windfall Elimination Provision (WEP). The WEP benefit formula is used to determine the PIA for individuals who are eligible for a government-sponsored pension plan. This includes CSRS in which they do not contribute to Social Security while employed as a federal state or city employee. The WEP and its effect on Social Security retirement benefits are discussed in Chapter 4.

2. The amount of Social Security benefits an individual can expect to receive in the future can only be estimated because the SSA issues a new set of indexing figures each year. One can get an estimate of one's benefits at any time by setting up one's account on the Social Security Web site at **www.socialsecurity.gov/myaccount**.

3. Social Security benefits considered for estimate using the calculator on the SSA Web site, www.socialsecurity.gov. The calculator can also be used to determine the effect of increased earnings on Social Security benefits. The most current version is available free at https://www.ssa.gov/OACT/anypia/index.html . The program also includes information on disability and survivor benefits and factors that can affect them.

Chapter 3. Social Security Family Benefits

Spousal benefits

An individual's spouse is eligible for a retirement benefit based on the individual's Social Security earnings. This is called a "spousal benefit." But if the spouse's own Social Security retirement benefit (based on his or her own Social Security working record) is more than half of the other spouse's Social Security, then the Social Security Administration (SSA) pays the spouse's retirement benefit. Otherwise, the SSA pays the "spousal benefit" which is now discussed.

Social Security definition of spouse

To be considered a married couple for Social Security purposes, individual and his or her spouse must meet one of the following conditions below at the time application for benefits is made. The individual:

(1) Is legitimately (under state law) married to the spouse; this includes a common law marriage in states that recognize common law marriages.

(2) Has marital status with respect to the taking of intestate personal property.

(3) Is a same-sex spouse; this has been true since June 26, 2015 when the Supreme Court ruled that same-sex couples have a constitutional right to marry in all states.

Entitlement to a spousal benefit (a retirement or a disability benefit)

The spouse of a "fully insured" individual (the individual has at least 40 credits of Social Security) is entitled to receive a spousal benefit if the following conditions are met: (1) the spouse must either have married to the individual for at least one continuous year before filing an application for benefits, or be the natural parent of the individual's biological child; (2) the spouse must either age 62 or older, or caring for a child who is under age 16 and the child is entitled to benefits based on the individual's (the other parent's) Social Security record (see below); (3) the individual is receiving a Social Security retirement or disability benefit: and (4) the spouse must file an application for a spousal benefit. Note that a spouse is not entitled to a retirement or disability benefit of his or her own that exceed 50 percent of the individual's primary insurance amount (PIA). The following example illustrates:

Jerome and Julia are married, and both are age 66. Since Jerome and Julia have each worked ad paid into Social Security for all of their working years, each is entitled to their own Social Security retirement benefits. Jerome is currently eligible for a benefit of $2,400 per month while Julia is entitled to a benefit of $2,000 per month. Julia's own Social Security benefit of $2,000 per month is more than half of Jerome's Social Security monthly benefit of $2,400 (1/2 of $2,400 is $1, 200). Julia is therefore not entitled to a spousal Social Security benefit.

Amount of a spouse's Social Security benefit

Suppose there is a married couple, spouse A (the higher earning spouse) and spouse B (the lower earning or no earning spouse) with respect to Social Security benefits. Spouse B's spousal Social Security benefit – this could be a retirement benefit or a disability benefit – is equal to one-half of spouse's A's primary insurance amount (PIA). But spouse B's spousal benefit may be less than one-half of spouse A's PIA if:

1. The "family maximum" applies (see below).

2. Spouse B is entitled to a retirement, disability or widow(er) insurance benefit that is smaller than the spouse A's benefit rate so that only the difference between the retirement, disability or widow(er)'s benefit, and spouse B's benefit rate is paid; or

3. Spouse B qualified for a spousal benefit but started receiving it before reaching full retirement age (FRA).

With respect to #3, a spousal benefit is reduced by 25/36 of one percent for each month of entitlement before FRA for the first 36 months. The reduction is 5/12 of one percent for each month in excess of the 36 months. The following table is an illustration of an individual's $1,000 benefit and the spousal $500 benefit in which the individual started his or her $1,000 monthly benefit at age 62. It also shows the amount of the spousal benefit assuming the spouse's starts the spousal benefit at age 62. Note that the amount of reduction in both the individual and the spousal Social Security benefit depends on the individual's and spouse's FRA.

Social Security Benefits May Be Payable to Eligible Family Members

Full Retirement and Age 62 Benefit by Year of Birth*

Year of birth	**Full (normal) retirement age (FRA)**	**Months between age 62 and full retirement age (FRA)**	**A $1,000 retirement benefit would be reduced to:**	**At age 62 the retirement benefit is reduced by:**	**A $500 spousal benefit would be reduced to:**	**At age 62, the spousal benefit is reduced by:**
1943-1954	66	48	$750	25.00%	$350	30.00%
1955	66 and 2 months	50	$741	25.83%	$345	30.83%
1956	66 and 4 months	52	$733	26.67%	$341	31.67%
1957	66 and 6 months	54	$725	27.50%	$337	32.50%
1958	66 and 8 months	56	$716	28,33%	$333	33.33%
1959	66 and 10 months	58	$708	29.17%	$329	34.17%
1960 and later	67	60	$700	30.00%	$325	35.00%

***Source: Social Security Web site, www.socialsecurity.gov**

The maximum benefit for the spouse is 50 percent of the benefit the worker would receive at full retirement age. The percent reduction for the spouse should be applied after the automatic 50 percent reduction. Percentages are approximate due to rounding.

Spouse B's disability or retirement spousal benefit may not be payable, or may be payable only in part if:

1. Spouse A is not receiving a benefit. In that case, Spouse B cannot draw on Spouse A's benefits until Spouse A draws.

2. Spouse A is under FRA, is working and earns more than the exempt amount ($18,240 during 2020).

3. Spouse B is under FRA, working and earning more than the exempt amount ($18,240 during 2020) or is working outside the U.S. for more than 45 hours in a month.

4. Spouse B is in the U.S. for a full calendar month and he or she is not a U.S. citizen, U.S. national or alien lawfully present in the U.S.

5. Spouse B is under age 62 and does not have in his or her care a child of Spouse A under age 16 or disabled who is entitled to child's benefits.

Social Security Benefits May Be Payable to Eligible Family Members

6. Spouse B is entitled, on the basis of his or her own employment to a governmental pension (federal, state or local) not covered by a Social Security (for example, a CSRS annuitant and therefore subject to the Government Pension Offset (GPO) which, in most cases, eliminates any type of spousal Social Security benefit.

7. Spouse B does not have a Social Security number and refuses to apply for one.

When spousal benefits end

Spouse B's spousal Social Security benefit will end:

1. When spouse B dies.

2. When spouse A dies – in that case, spouse B may be entitled to a widow(er) benefit (the full amount of spouse A's Social Security benefit).

3. Spouse B is under age 62 and there is no longer a child of spouse A under age 16, or disabled, entitled to children benefits.

4. Spouse B becomes entitled to his or her retirement or disability benefit and spouse B's PIA is at least one-half of spouse A's PIA.

Children Social Security benefits

A child is entitled to a child's Social Security insurance benefit, disability or retirement, of a parent if the following conditions are met:

1. An application for a child's insurance benefit is filed.

2. Child is (or was) a dependent upon the parent.

3. Child is not married.

4. Child is: (a) under age 18; (b) age 18-19 and a full-time elementary or secondary school student; or (c) is age 18 or older and under a disability which must have begun before age 22; and

5. Parent is entitled to and receiving a disability or a retirement benefit.

The term child includes the fully insured parent's:

1. Natural (biological) child.

2. Stepchild under certain circumstances; or

3. Grandchild under certain circumstances

Amount of a child's Social Security benefit

A child's monthly Social Security benefit amount is equal to one-half of the fully insured parent's primary insurable amount (PIA) if the parent is entitled to a disability or retirement benefit.

The benefit paid to a child may be less if: (1) the family maximum applies (see below) and the child's benefit rate must be reduced; (2) a disabled child is entitled to disability or retirement benefit on his or her own Social Security earnings record. In this case, only the excess is paid as the child's insurable benefit; and (3) the parent's monthly benefit is reduced because the parent elected to start receiving the benefit before reaching his her FRA or the parent's benefit is subject to the Windfall Elimination Provision (WEP).

Termination of child's benefits

A child's Social Security benefit will end when: (1) the child dies; (2) the child reaches age 18 and is neither disabled nor a full-time student; (3) the child marries; and (4) the child's parent is no longer entitled to disability insurance benefits unless the entitlement ended because the full insured parent become entitled to retirement insurance benefit.

Maximum family benefit

There is an overall family benefit payable on an individual's Social Security record. Family members include a spouse, dependent children and in some cases, dependent parent(s) of the fully insured individual. In general, no more than the family maximum can be paid. The family maximum is determined by the Social Security Administration and depends on the number of family members eligible for family Social Security benefits and the individual's PIA.

Chapter 4. Which Federal Employees are Affected by Social Security Offsets and How

There are two “offsets” (reductions) to Social Security benefits that can affect federal employees. These offsets are the Windfall elimination Provision and the Government Pension Offset. These two offsets are discussed.

Windfall Elimination Provision (WEP)

In general, if an individual works for an employer who does not withhold Social security taxes from the individual’s salary - such as the CSRS employee - the pension the individual received may reduce the individual’s Social Security benefits. The WEP affects how a Social Security retirement or disability benefit is calculated. A modified formula is used to calculate the benefit, resulting in a lower benefit that an individual can receive.

The purpose of the WEP is as follows: Social Security benefits are intended to replace only a percentage of a worker’s pre-retirement earnings. The way Social Security benefit amounts are determined is that the lower paid workers get a higher return than highly paid workers. For example, lower paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement for highly paid workers is about 25 percent.

Before 1983, people who worked mainly in a job not covered by Social Security had their Social Security benefits calculated as if they were long-term, low wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job in which they did not pay Social Security taxes, such as CSRS. Congress passed the WEP to remove this advantage.

Under the WEP a modified formula is used to calculate the Social Security benefit resulting in a lower amount. The reduction is based on the number of years for which an individual receiving a government based premium (like a CSRS annuitant) had substantial earnings in employment covered by Social Security. To protect these CSRS annuitants the reduction in the Social Security benefit cannot be more than half of a CSRS annuity. The following is how the WEP is calculated.

As discussed in Chapter 2, Social Security benefits are based on a worker’s AIME adjusted for inflation. The AIME is separated into three amounts that are multiplied using three factors. For example, a worker who becomes age 62 in 2020 multiplies the first $960 of AIME by

90 percent; the next $4,825 by 32 percent, and the remainder by 15 percent. The sum of the three amounts equals the total monthly payment amount.

The first step is to determine how many years of "substantial Social Security wages" a CSRS annuitant has. This is done by looking at Table 6. For each year the annuitant has Social Security wages - as shown on Box 2 on the annuitant's W-2 minus the annuitant needs how many years the annuitant's Social Security wages exceed the "substantial earnings" amount. If the number of years of "substantial earnings" exceeds 30, then the annuitant is not affected by the WEP. If the annuitant has 20 or fewer years of substantial earnings, the 90 percent factor is changed to 40 percent. If the number of years of substantial earnings is between 21 and 29, the 90 percent factor is reduced to between 45 and 85 percent. Table 6 summarizes the percentage according to the number of years of substantial earnings.

Table 6

Eligible Year (ELY)	Years of "Substantial" Earnings										
	20 or less	21	22	23	24	25	26	27	28	29	30
1990	$178.0	$160.2	$142.4	$124.6	$106.8	$89.0	$71.2	$53.4	$35.6	$17.8	$0.0
1991	185.0	166.5	148.0	129.5	111.0	92.5	74.0	55.5	37.0	18.5	0.0
1992	193.5	174.2	154.8	135.5	116.1	96.8	77.4	58.1	38.7	19.4	0.0
1993	200.5	180.5	160.4	140.4	120.3	100.3	80.2	60.2	40.1	20.1	0.0
1994	211.0	189.9	168.8	147.7	126.6	105.5	84.4	63.3	42.2	21.1	0.0
1995	213.0	191.7	170.4	149.1	127.8	106.5	85.2	63.9	42.6	21.3	0.0
1996	218.5	196.7	174.8	153.0	131.1	109.3	87.4	65.6	43.7	21.9	0.0
1997	227.5	204.8	182.0	159.3	136.5	113.8	91.0	68.3	45.5	22.8	0.0
1998	238.5	214.7	190.8	167.0	143.1	119.3	95.4	71.6	47.7	23.9	0.0
1999	252.5	227.3	202.0	176.8	151.5	126.3	101.0	75.8	50.5	25.3	0.0
2000	265.5	239.0	212.4	185.9	159.3	132.8	106.2	79.7	53.1	26.6	0.0
2001	280.5	252.5	224.4	196.4	168.3	140.3	112.2	84.2	56.1	28.1	0.0
2002	296.0	266.4	236.8	207.2	177.6	148.0	118.4	88.8	59.2	29.6	0.0
2003	303.0	272.7	242.4	212.1	181.8	151.5	121.2	90.9	60.6	30.3	0.0
2004	306.0	275.4	244.8	214.2	183.6	153.0	122.4	91.8	61.2	30.6	0.0
2005	313.5	282.2	250.8	219.5	188.1	156.8	125.4	94.1	62.7	31.4	0.0
2006	328.0	295.2	262.4	229.6	196.8	164.0	131.2	98.4	65.6	32.8	0.0
2007	340.0	306.0	272.0	238.0	204.0	170.0	136.0	102.0	68.0	34.0	0.0
2008	355.5	320.0	284.4	248.9	213.3	177.8	142.2	106.7	71.1	35.6	0.0
2009	372.0	334.8	297.6	260.4	223.2	186.0	148.8	111.6	74.4	37.2	0.0
2010	380.5	342.5	304.4	266.4	228.3	190.3	152.2	114.2	76.1	38.1	0.0
2011	374.5	337.1	299.6	262.2	224.7	187.3	149.8	112.4	74.9	37.5	0.0
2012	383.5	345.2	306.8	268.5	230.1	191.8	153.4	115.1	76.7	38.4	0.0

2013	395.5	356.0	316.4	276.9	237.3	197.8	158.2	118.7	79.1	39.6	0.0
2014	408.0	367.2	326.4	285.6	244.8	204.0	163.2	122.4	81.6	40.8	0.0
2015	413.0	371.7	330.4	289.1	247.8	206.5	165.2	123.9	82.6	41.3	0.0
2016	428.0	385.2	342.4	299.6	256.8	214.0	171.2	128.4	85.6	42.8	0.0
2017	442.5	398.3	354.0	309.8	265.5	221.3	177.0	132.8	88.5	44.3	0.0
2018	447.5	402.8	358.0	313.3	268.5	223.8	179.0	134.3	89.5	44.8	0.0
2019	463.0	416.7	370.4	324.1	277.8	231.5	185.2	138.9	92.6	46.3	0.0
2020	480.0	432.0	384.0	336.0	288.0	240.0	192.0	144.0	92.0	48.0	0.0

***Important:** The maximum amount may be overstated because the WEP reduction is limited to one-half of your pension from non-covered employment*

Those individuals who have their most Social Security Personal Benefits Statement can use Table 7 to calculate their reduced benefit resulting from the WEP. Table 8 shows the maximum monthly amount one's benefit may be reduced due to the WEP as a result of having fewer than 30 years of substantial earnings.

Table 7. "Substantial" Service" Time versus SS Factor

"Substantial" Years of Coverage Under Social Security	SS Factor will be:
30 or more	90%
29	85%
28	80%
27	75%
26	70%
25	65%
24	60%
23	55%
22	50%
21	45%
20 or less	40%

Step 1. The individual must find that he or she will reach age 62 in the Eligibility Year (EY) column of Table 7. If one's birthday is January 1, use the previous year.

Step 2. Find the maximum monthly amount of reduction based on the number of years the individual paid Social Security taxes on substantial earnings and the individual's eligibility year.

Step 3. Compare the amount in Step 2 to the following calculation. Estimated benefits at age 62 are obtained from one's Personal Benefits Statement.

0.44 x monthly estimated benefit at age 62

The person is entitled to the higher of step 2 and Step 3.

Example. *Sam, a CSRS annuitant, become age 62 during 2012. Sam has 15 years of substantial earnings under Social Security. Since Sam's EY is 2012, from Table 8, Sam's amount is $383.50. Sam's Social Security monthly estimated benefit at age 62 is $1,200:*

0.44 x $1,200 = $528

Since $528 is more than $383.50, Sam is entitled to a Social Security monthly benefit of $528.

Government Pension Offset (GPO)

An individual who receives a pension form a federal, state or local government based on work in which Social Security taxes were paid - for example a CSRS annuity pension - may have a Social Security spouse's, former spouse's, widow's or widower's benefits reduced, if not eliminated.

The amount of the Social Security benefit that will be reduced is equal to two-thirds (2/3) of the government pension. Consider the following example.

Example. *Jennifer, age 62, is a CSRS annuitant whose CSRS annuity is $60,000 a year or $5,000 a month. Jennifer's husband, Hal, retired from private industry and is receiving a Social Security retirement benefit of $2,400 a month. Jennifer has no Social Security credits and is therefore eligible for half of Hal's monthly benefit, $1,200 per month. But as a CSRS annuitant, Jennifer is subject to the GPO, resulting in the following calculation to Jennifer's spousal benefit.*

2/3 of $5,000 = $3.334
$1,200 (Spousal Benefit) minus $3,334 (GPO) = $0

Jennifer will not receive a Social Security spousal benefit.

In general, Social Security benefits received as a spouse, former spouse, widow or widower will not be reduced if these individuals are:

- receiving a government pension that is not based on his or her earnings; or
- a federal employee, including a Civil Service Offset employee or a FERS employee, state or local government employee whose government pension is based on a job in which Social Security taxes were paid; and

– the spouse, former spouse, widow or widower filed for and was entitled to the spouse's, former spouse's, widow's or widower's benefits before April 1, 2004; or
– the spouse's, former spouse's, widow's, or widower's last day of employment that the pension is based is before July 1, 2004; or
– the souse, former spouse, widow, or widower paid Social Security taxes during the last 60 months of government service.

There are other situations in which Social Security benefits as a spouse, former spouse, widow, or widowers will not be reduced. These include: (1) a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees Retirement System (FERS) after Dec. 21, 1987, and paid Social Security taxes on earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or (2) received or were eligible to receive a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or (3) received or were eligible to receive a federal, state or local government pension before July 1, 1983 and were receiving one-half (1/2) support from a spouse.

The GPO applies only to Social Security benefits as a spouse, former spouse, widow, or widower. However, while these individuals own Social Security benefits are not affected by the GPO, their own benefits may be reduced because of another provision of the law, such as the WEP (see above).

Chapter 5. Who Qualifies for Social Security Survivor Benefits

When an insured worker dies, cash benefits may be paid to the following eligible survivors: (1) monthly widow(er) insurance benefits; (2) monthly surviving child's insurance benefits; (3) monthly father's or mother's insurance benefits; (4) monthly parent's insurance benefits; and /or (5) lump-sum death payment. All benefits are determined as a percentage of the deceased insured worker's primary insurance amount (PIA).

For survivors to receive monthly benefits or the lump sum death benefit payment, the deceased worker must be the current insured (provides eligibility for some benefits but not all) or be the fully insured (provides eligibility for all benefits).

Widow(er)'s Benefits

Individuals are entitled to widow(er) benefits on an insured worker's Social Security if: (1) they are either age 60 or over, or at least age 50 but not age 60 and disabled, and they meet the disability-related requirements; (2) the worker died fully insured; (3) they are not entitled to a retirement benefit that is equal to or larger than the worker's PIA; (4) they have filed an application for widow(er)'s benefits; and (5) they are not married and any of the following apply: (a) they were married to the deceased worker for at least nine months; (b) they are the parent of the worker's child; (c) they legally adopted the worker's child during the marriage and before the child reached age 18, or (d) they were married to the worker when both legally adopted a child under age 18.

The widow(er)'s insurance benefit rate equals 100 percent of the deceased worker's PIA plus any additional amount the deceased worker was entitled to because of delayed retirement credit. But the benefit rate may be reduced if the following condition apply: (1) a reduction is necessary because the family maximum applies; (2) the worker or spouse was receiving benefits before the month they reached FRA; (3) the widow(er) chooses to receive and is paid a reduced benefit before reaching FRA; or (4) the deceased worker was entitled to a reduced retirement benefit for the month before the worker dies.

A surviving divorced spouse is entitled to a surviving divorce's insurance benefit based on the deceased worker's - the former spouse - Social Security record if: (1) they are either age 60 or over or at least age 50 but not age 60 and disabled, and they meet the disability-related requirement; (2) the former spouse died fully insured; and (3) they are not married - see below for exceptions.

A remarriage after age 60 does not prevent someone from becoming entitled to benefits based on their prior deceased spouse's (or former spouse's) Social Security earnings record. If individuals remarry before age 60, they will not be entitled to survivor's benefits, unless; (1) the subsequent marriage ends whether by death, divorce, or annulment; or (2) the marriage occurred after age 50 and they were entitled to benefits as a disabled widow(er) or disabled surviving divorced spouse.

If individuals remarry before age60 and that marriage ends, they may become entitled or re-entitled to benefits on their prior deceased spouse's earnings record. The benefits begin the first month in which the subsequent marriage, if all entitlement requirements are met.

<u>Application Requirement for Widow(er) Benefits</u>

Individuals do not need to file an application for widow(er)'s benefits if: (1) they have reached FRA and were entitled to spouse's benefits for the month immediately before the month that their spouse died; (2) they were entitled to father's or mother's benefits for the month immediately before the month they reached FRA; (3) they were between age 62 and FRA at the time their spouse died and was entitled to their spouse's benefits but not to disability or retirement benefits. The spouse's benefits are automatically converted to widow(er) insurance benefits.

An individual's widow(er)'s insurance benefits end when: (1) the widow(er) dies; or (2) the widow(er) becomes entitled to a retirement insurance benefit that is equal to or larger than the deceased worker's PIA.

<u>Surviving Child's Benefits</u>

The surviving child's insurance benefit rate is 75 percent of the deceased parent's PIA at the time of death. In order for a surviving child to be entitled to this benefit: (1) the worker/parent died either fully or currently insured; (2) the child is the child of the deceased; (3) the child is under age 18, under age 19 and a full-time elementary or secondary school student; (4) the child was dependent upon the deceased parent; (5) the child is not married; and (6) an application for the child's insurance benefits is filed.

The term child includes a: (1) natural (biological) child; (2) stepchild under certain circumstances; (3) legally adopted child; and (4) dependent grandchild or step-grandchild.

Surviving child's insurance benefits end when any of the following events occur: (1) the child dies; (2) the child reaches age 18 and is neither under a disability nor a full-time elementary or secondary school student; (3) the child married, unless the child is disabled and marries another Social Security beneficiary; or (4) the child is a stepchild of the worker and the marriage between the worker and the stepchild's parent ends in divorce.

Father's or Mother's Insurance Benefits

The father's or mother's insurance benefit rate is equal to 75 percent of the deceased worker's PIA. A parent's insurance benefit amount may be less if either: (1) a reduction is necessary because the family maximum applies; or (2) the father or mother is also entitled to a smaller retirement or disability insurance benefit. In this case an amount equal to the difference between the parent's benefit rate and the other benefit rate is payable as the parent's benefit.

A widow(er) is entitled to a father's or mother's insurance benefit if the worker died fully insured and all of the following conditions are met: (1) an application is filed for a mother's or father's benefit; (2) the widow(er) is not entitled to a retirement insurance benefit that is equal to or greater than the amount of the unadjusted parental benefit; (3) the father or mother are caring for a child of the deceased worker under age 16 or disable who is entitled to the child's insurance benefits; (4) the parent is not married; (5) the father or mother is not entitled to a widow(er)'s insurance benefits (see above); (6) the father or mother need one of the following conditions: (a) was married to the deceased worker for at least the nine months just before the worker died; (b) is the father/mother of the worker's child; (c) adopted the worker's child during their marriage and before the child reached age 18; (d) was married to the worker when they both legally adopted a child under age 18; or (e) the worker legally adopted their child during their marriage and before the child reached age 18.

If an individual receives a father's or mother's benefits, a remarriage will generally end his or her entitlement. It also prevents any future entitlement to these benefits on the prior deceased's Social Security record. Entitlement is not affected if an individual enters into a same-sex marriage or union. Individuals can be entitled or re-entitled to a father's or mother's insurance benefits, or a surviving divorced father's or mother's benefits if their subsequent marriage ends by death, divorce or annulment.

An individual's father's or mother's insurance benefits end if any of the following conditions are met: (1) there are no children of the deceased worker under age 16 or disabled who are entitled to a child's insurance benefit; (2) the father or mother becomes entitled to a widow(er)'s insurance benefit; (3) the father or mother die; (4) the father or mother become entitled to retirement insurance benefits in an amount equal to or greater than 75 percent of the spouse's PIA; (5) the father or mother marries someone of the opposite sex.

<u>Parent's Benefit</u>

A parent's insurance benefit rate is equal to 82.5 percent of the deceased worker's PIA. IF two parents are entitled to benefits on the same worker's earnings record, then each parent receives an insurance benefit equal to 75 percent of the deceased worker's PIA. The insurance benefit rate may be reduced if: (1) the family maximum is involved. In this case all benefits payable on the earnings record may be reduced; or (2) the parent(s) are entitled to a retirement or disability insurance benefit that is less than the parent's insurance benefit. In this case only the difference between the amount of the parent's insurance benefit and the other benefit is payable as their insurance benefit.

Individuals are entitled to parent's benefits if they are a parent of a deceased insured worker and the following conditions are met: (1) the insured worker was fully insured at the time of death; (2) the parent(s) file an application for parent's benefits; (3) the parent(s) have reached age 62; (4) the parent(s) are not entitled to a retirement insurance benefit that is equal to or larger than the amount of the unadjusted parent's insured benefit; (5) the parent(s) were receiving at least one-half support from the deceased insured worker at the time of the worker's death; (6) the parent(s) filed evidence that the support requirement was met with the Social Security Administration; (7) the parent(S) have not remarried since the insured worker's death; and (8) one of the following is true: (a) the parent(s) is the natural parent; (b) the parent(s) legally adopted the insured worker before he or she became age 16; (c) the parent(s) became the decedent's stepparent by a marriage before the decedent became age 16.

An individual's parent's insurance benefits end if: (1) the parent(s) dies; (2) the parent(s) becomes entitled to a retirement insurance benefit that is equal to or larger than the amount of the unadjusted parent's insurance benefit; or (3) the parent marries someone of the opposite gender.

Table 8 below summarizes the survivor benefits for family members together with percentage of PIA payable.

Table 8. Family Survivor Social Security Benefits

Family Member	Percent of PIA Payable*
Widow(er) at FRA**	100
Widow(er) at age 60	71.5
Disabled widow(er) at age 50 - 59	71.5
Surviving Eligible Child	75.00
Widow(er) Under Age 61 with Eligible child who is under age 16 or disabled	75.00
Eligible Parent	82.50
Eligible Parents	75.0 (each)

* Benefits may be limited by the family maximum (see Chapter 2)
** As the FRA for workers increases (see Chapter 1), this age will also rise. The Surviving family benefits may be reduced if the deceased fully insured worker received reduced retirement benefits.

Lump-Sum Death Benefit Payment

A lump-sum death payment may be made on the Social Security record of a worker who dies either fully or currently insured. The lump-sum is a one-time payment of $255. It is paid in addition to any monthly survivor's insurance benefits that are due. Individuals are eligible for the lump-sum death benefit payment based on their relationship with the worker as a spouse if: (1) they were living in the same household as the worker when the worker died; and (2) they filed an application for the lump-sum within the required time limit.

The lump-sum is not payable to a divorce spouse. In rare situations there may be two surviving spouses. Both spouses may be eligible for the lump-sum even though neither was living in the same household as the worker at the time of death. In this case, the lump-sum is equally divided between the spouses.

If there is no spouse to receive the lump-sum death benefit payment, the lump sum is payable to the child(ren) of the deceased worker. The child(ren) must have been entitled to or eligible for an equal share of the lump-sum.

An application for the lump-sum death benefit payment must be filed, if the applicant: (1) is not entitled to a wife's/husband's benefits on the deceased individual's Social Security record for the month just prior to the month in which the insured worker died; 0r (2) is a child. No application for lump-sum payment is needed for a widow(er) if the individual is entitled to a wife's or husband's benefits on the deceased individual's Social Security record the month before the month the insured worker died. The deadline for the lump-sum death payment must be filed within the two-year period, ending with the second anniversary of the insured worker's death. The filing period may be extended under certain conditions.

Chapter 6. Planning Considerations for Social Security Benefits

Deciding When to Start Receiving Benefits

Individuals approaching retirement age must decide whether to begin taking reduced benefits early - before their FRA - or wait until their FRA, or later to receive their full benefit or a higher benefit. For many individuals, the present value of the Social Security retirement they would receive is similar under either option depending on their life expectancy and income tax bracket. That means in many cases the decision of when to start receiving Social Security benefits will depend on factors other than trying to receive the greatest lifetime benefit from Social Security.

Some individuals will delay the receipt of Social Security retirement benefits because they continue to work out of necessity or personal preference. Others will want to retire early and need to start receiving benefits as soon as possible, in order to pay their bills.

Those individuals who start their retirement benefits at the earliest possible age, age 62, do so because they are unemployed or under employed, or they have an immediate financial need, such as a medical emergency. Studies suggest, however, that those who take early benefits out of necessity often find themselves in even more desperate straits in later years as they continue to struggle on their permanently reduced benefit. For these individuals, retirement may not be the best solution but a necessary solution to their problems.

Taking Reduced Benefits at Age 62

Some financial planners advise individuals to begin receiving benefits as early as possible - age 62. For 2012, the benefits at age 62 are reduced by 25 percent of what they would be at age 66 (FRA). However, the individual will receive more Social Security checks if benefits are started early. Also, starting to draw Social Security benefits early may allow an individual to leave tax-deferred retirement account untouched and growing for longer periods.

Another consideration for drawing benefits early, before FRA, is if an individual has dependents under age 18. Such dependents may be eligible for benefits if the individual is also drawing Social Security benefits.

If an individual waits until FRA to draw benefits and the PIA - a function of the individual's earnings history - remains the same, it will take around 12 years to reach the break-even point to make up for the years of payments that were not received. But note that most break-even analysis compares only the Social Security benefits. It does not consider the foregone investment income which could have been earned from age 62 until FRA on the early benefits or the compounded future value of that sum.

Two additional considerations for taking Social Security retirement benefits as early as possible: (1) individual's health - if the individual does not expect to live beyond 12 years after early retirement, the individual will receive more benefits by taking the reduced amount; and (2) if the present value of future Social Security benefits is considered, then it would normally be favorable to start the benefits as soon as possible. However, if the individual is using Social Security retirement simply as a means of replacing a similar amount of earned income, the individual's short-term position will not be improved and the person's long-term outlook will suffer.

Waiting until FRA to Start Receiving Benefits

There are advantages of waiting until FRA before drawing Social Security benefits. Factors to consider include: (1) life expectancy; (2) shortening the retirement period; (3) the earnings test; (4) replacing earlier lower-wage years with later higher-wage years; (5) the compounding of inflation adjustments and a higher base; and (6) the effect on the retiree's spouse.

- Life expectancy. An individual's life expectancy may be the biggest factor in deciding whether the individual should receive Social Security benefits early. Many 62-year olds should have a good idea of their life expectancies. The individual's current health and longevity of parents should be clearly established by that age. In general, 80 years might be a good "cutoff". That means if an individual reasonably expects to reach age 80, then waiting until FRA to start drawing Social Security benefits may be a wise choice.

- Shortening the retirement period. A significant factor in retirement planning is the length of the retirement period, computed as:

  Length of Retirement = Life Expectancy - Age of Retirement

  If an individual decides to work past age 62, then the length of the retirement period will be shortened as the following example illustrates.

Example: *Carla would like to retire at age 62 and has a life expectancy of 85. She therefore has a 23-year retirement period to fund. By working past age 62 until her FRA of age 66, Carla will be shortening her retirement period by 4 years. As a result of working longer and receiving a higher Social Security retirement benefit, Carla will not need as much retirement income from other sources.*

- The earnings test. Individuals who consider receiving Social Security retirement benefits before their FRA and who also intent to keep working must consider the "earnings" test. (The "earnings" test will be discussed in more detail in Chapter 9). For 2020, the exempt amount is $18,240 meaning that a Social Security recipient who is between the age of 62 and the year he or she becomes FRA can earn up to $18,240 without losing any of their benefits. For every $2 earned above $18,240, $1 in Social

Security retirement benefits will be forfeited. Individuals already facing a reduced benefit amount because of early retirement would have their benefits reduced even further by failing the "earnings" test.

- Reduce lower wage years. As discussed in Chapter 2, an individual's Social Security benefits are based on the individual's PIA. PIA is calculated using the individual's highest earnings during a 35-year calculation period. If an individual can replace lower-wage years (or years with no Social Security wages) early on in his or her career with higher-wage years after age 62, the individual can increase the PIA. This can lead to a higher retirement benefit when the individual retires. A higher PIA will also increase family and survivor benefits.

- Inflation adjustments. Except for 2010, 2011, and 2016, Social Security benefits recipient have received an annual cost-of-living adjustment (COLA). By receiving Social Security before FRA, a recipient will be receiving a smaller annual dollar increase and will miss out on the compounding effect of that increase, as the following example illustrates.

George's PIA was $2,000, but he retired early at age 62 and received 25 percent less, or $1,500. Each year George will miss out on the compounded inflation adjustment of that$500 in lost benefits. In other words, the gap between George's early retirement benefit and the amount he would have received by waiting will continue to increase.

- The effect on the spouse. An individual's decision to start receiving Social Security benefits before reaching FRA may also affect the individual's spouse's benefits. Unless the spouse has his or her own earnings and is fully insured, the spouse will be dependent on the working spouse's PIA for retirement benefits. A spouse who is not fully insured and who waits until his or her FRA is eligible to receive 50 percent of the worker spouse's retirement benefit. But if the worker spouse retires early and has a lower PIA compared to the PIA had the worker retired at FRA, the spouse's benefit would therefore be based on the lower PIA.

Table 9 illustrates starting Social Security retirement benefits at age 62 for both a worker and a spouse who is dependent on the worker spouse. For this illustration, it is assumed that if they had begun receiving benefits at FRA, the worker would have received $2,000 per month and the spouse would have received $1,000 per month. The table illustrates that starting to receive benefits at age 62 can result in substantial reduction in monthly benefits, especially if one lives well into their 80's.

Table 9: Age 62 Benefit by Year of Birth (Benefits based on a $2,000 benefit at FRA

Year of birth[1]	FRA	Months between age 62 and FRA[2]	Worker		Spouse	
			Percent reduction[3]	Amount	Percent reduction[4]	Amount
1937 or	65	36	20.00%	$1,600	25.00%	$750

earlier						
1938	65 and 2 months	38	20.83	1,582	25.83	740
1939	66 and 4 months	40	21.67	1,566	26.67	732
1940	65 and 6 months	42	22.50	1,550	27.50	724
1941	65 and 8 months	44	23.33	1,532	28.33	716
1942	66 and 10 months	46	24.17	1,516	29.17	708
1943 - 1954	66	48	25.00	1,500	30.00	700
1955	66 and 2 months	50	25.83	1,482	30.83	690
1956	66 and 4 months	52	26.67	1,466	31.67	682
1957	66 and 6 months	54	27.50	1,450	32.50	674
1958	66 and 8 months	56	28.33	1,432	33.33	666
1959	66 and 10 months	58	29.17	1,416	34.17	658
1960 and later	67	60	30.00	1,400	35.00	650

[1] If born on January 1, use the prior year of birth.
[2] For individuals born on the first day of the month, benefits are computed as if they were born in the previous month. Individuals must be at least 62 years old for the entire month to receive benefits.
[3] Reduction applied to the benefit the worker would have received at FRA ($2,000 in this example). The percentage reduction is 5/9 of 1% per month for the first 36 months and 5/12 of 1% for each additional month.
[4] The spouse's maximum benefit is 50% of the benefit the worker would receive at FRA. The spouse's percentage reduction is applied after the automatic 50% reduction. The percentage reduction is 25/36 of 1% per month for the first 36 months and 5/12 of 1% for each additional month.

Chapter 7. Taxation of Social Security Benefits

According to the SSA, about one-third of individuals who receive Social Security retirement, survivorship, or disability payments must pay taxes on their benefits. This provision affects only individuals who have a certain amount of income in addition to their Social Security benefits. These individuals include:

• Those with single filing status and a "provisional" income (see worksheet below).

– between $25,000 and $34,000 may have to pay taxes on 50 percent of their benefit, or
– above $34,000 are liable for income taxes, on up to 85 percent of their benefits.

• Those with joint filing status and a provisional income of:

– between $32,000 and $44,000 may have to pay taxes on 50 percent of their benefits, or
– above $44,000 are liable for income taxes on up to 85 percent of their benefits.

Worksheet 1. Computing Provisional Income. Provisional income is modified adjusted gross (AGI) income plus one-half of the Social Security benefit. Modified AGI is calculated, starting with GI before the inclusion of any Social Security benefit, increased by tax-exempt interest income and exclusion and deductions.

AGI before any Social Security benefits ....$________
+ Tax-exempt interest income ....$________
+ Interest excluded from Series EE and I bonds used to pay
for college expenses ....$________
+ Employer provided adoption assistance ....$________
+ Foreign earned income and housing cost exclusion ....$________
+ Income excluded from certain US possessions ....$________
+ Income from Puerto Rico ....$________
+ Deduction for student loan interest ....$________
+ Deduction for qualified tuition and related expenses ....$________
+ Deduction for domestic producers ....$________

= Modified Adjusted Gross Income ....$________

+ Half of the Social Security benefits ....$________

= Provisional Income ....$________

The SSA issues each January Form SSA-1099. This form reports the amount of Social Security benefits received by a recipient during the previous year. The form reports the amount paid and repaid, and any federal income taxes withheld from the payments.

The taxable Social Security Benefits worksheet (Worksheet #2, shown for tax year 2019) can be used to calculate the taxable Social Security benefits for federal income tax purposes.

Worksheet 2. Taxable Social Security Benefits Worksheet (2019)
Caution: Do not use this worksheet if the taxpayer made a 2011 traditional, IRA contribution and the taxpayer (or spouse, if married) is covered by a qualified retirement plan. Instead, use the worksheet at Appendix B of IRS Publication 590 to compute both the IRA deduction and the taxable Social Security benefits.

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1. Enter the total amount from box 5 of ALL Forms SSA-1099.
Also enter this amount on Form 1040, line 20a ....1) ________
2. Enter one-half of line 1...2) ________
3. Enter the total of the amounts from:
Line 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19 and 21 ....3) ________
4. Enter the amount, if any, from Form 1040, line 8b ....4) ________
5. Enter the total of any exclusions/adjustments for: ....5) ________
   • Qualified U.S. savings bond interest (Form 8815, line 14)
   • Adoption benefits (Form 8839, line 30)
   • Foreign earned income or housing (Form 2555, lines 45 and 50, or Form 2555-EZ, line 18
   • Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico
6. Add lines 2, 3, 4 and 5 ....6) ________
7. Enter the amounts from Form 1040, lines 23 through 32 and any write-in adjustments
entered on the dotted line next to line 36 ....7) ________

8. Is the amount on line 7 less than the amount on line 6?
   □ **No.** None of the Social Security benefits are taxable
   □ **Yes**. Subtract line 7 from line 6 ....8) ________
9. If taxpayer is:
   • Married filing joint, enter $32,000
   • Single, head of household, qualifying widow(er), or married filing separately and lived apart from his spouse for all of 2011, enter $25,000 ....9) ________

Note: If the taxpayer was married filing separately and lived with his/her spouse at any time in 2011, skip lines 9 through 16, multiply line 8 by 85% (.85) and enter the result on line 17. Then go to line 18.

10. Is the amount on line 9 less than the amount on line 8?
   □ **No.** None of the benefits are taxable. Enter -0- on Form 1040, line 20b. If the taxpayer is married filing separately and lived apart from his spouse for all of 2011, enter "D" to the right of the work "benefits" on Form 1040, line 20a
   □ **Yes**. Subtract line 9 from line 8 ....10) ________
11. Enter $12,000 if married filing jointly; $9,000 if single, head of household, qualifying widow(er) or the taxpayer is married filing separately and lived apart from his/spouse for all of 2011 ....11) ________
12. Subtract line 11 from line 10. If zero or less, enter -0- ....12) ________
13. Enter the smaller of line 10 or line 11 ....13) ________
14. Enter one-half of line 13 ....14) ________
15. Enter the smaller of line 2 or line 14 ....15) ________
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- ....16) ________
17. Add lines 15 and 16 ....17) ________
18. Multiply line 1 by 85% (.85) ....18) ________
19. **Taxable Social Security benefits.** Enter the smaller of line 17 or line 18 ....19) ________

Individuals can choose to have federal income tax withheld from their Social Security benefits. If they choose to do this, they must complete a Form W-4V. They can choose withholding at 7, 10, 15 or 25 percent of the total benefit payment.

State Taxation of Social Security Benefits

Some state tax Social Security benefits. Many states use as a beginning point for the state income tax calculations either federal adjusted gross income, federal taxable income. or federal taxes, paid. All of these beginning points include the federally taxed portion of Social Security benefits. A state may make an adjustment for all or part of the federally taxed Social Security benefits. Table 10 below summarizes by state the state income tax treatment of Social Security benefits.

Table 10. State Taxation of Social Security Benefits

Tax Some or All of the Federal Taxable Social Security Benefits		Exclude Social Security Benefits from State Personal Income Taxes			No State Personal Income Tax
• Colorado	• Nebraska	• Alabama	• Illinois	• New Jersey	• Alaska
• Connecticut	• New Mexico	• Arizona	• Indiana	• New York	• Florida
• North Dakota	• Kansas	• Arkansas	• Kentucky	• North Carolina	• Nevada
• Rhode Island		• California	• Louisiana	• Ohio	• New Hampshire
• Minnesota	• Utah	• Delaware	• Maine	• Oklahoma	• South Dakota
• Montana	• Vermont	• District of Columbia	• Maryland	• Oregon	• Tennessee
	• West Virginia		• Massachusetts	• Pennsylvania	• Texas
		• Georgia	• Michigan	• South Carolina	•Washington
		• Hawaii	• Mississippi	• Virginia	• Wyoming
		• Idaho	• Missouri	• Wisconsin	

Chapter 8. How Federal Employees Qualify for Social Security Disability Benefits

Federal employees and family members may qualify for Social Security disability benefits assuming certain conditions are met. This chapter discusses the qualification rules for Social Security disability benefits, defining disability, disability determination, evidence of disability, disabled worker's benefits, and the amount of disabled worker's and family benefits. In general, in order to qualify for Social Security disability benefits an individual must be so severely impaired - physically or mentally - that the individual cannot perform any substantial gainful work. The impairment must be expected to last at least 12 months or result in death. The determination is based on medical evidence. Disability benefits are not payable to people disabled solely due to alcoholism or drug addiction.

In addition, an individual must have a minimum number of credits of Social Security coverage to be insured. Some of these credits had to be earned in years. The recent "years" requirement does not apply to the blind.

Table 11 summarizes the credit requirements for any individual who becomes disabled during 2020 and applies for disability benefits.

Table 11. Minimum Credits by Year of Birth to Qualify for Disability Benefits in 2020

Year of Birth	Credits Required to Qualify for Disability in 2020
1955-1958	40, with 20 earned in last 10 years
1959	39, with 20 earned in last 10 years
1960	38, with 20 earned in last 10 years
1961	37, with 20 earned in last 10 years
1962	36, with 20 earned in last 10 years
1963	35, with 20 earned in last 10 years
1964	34, with 20 earned in last 10 years
1965	33, with 20 earned in last 10 years
1966	32, with 20 earned in last 10 years
1967	31, with 20 earned in last 10 years
1968	30, with 20 earned in last 10 years
1969	29, with 20 earned in last 10 years
1970	28, with 20 earned in last 10 years
1971	27, with 20 earned in last 10 years
1972	26, with 20 earned in last 10 years
1973	25, with 20 earned in last 10 years
1974	24, with 20 earned in last 10 years
1975	23, with 20 earned in last 10 years
1976	22, with 20 earned in last 10 years
1977	21, with 20 earned in last 10 years
1978 - 89*	20 earned in last 10 years
1990*	19 earned after age 21
1991*	17 earned after age 21
1992*	15 earned after age 21
1993*	13 earned after age 21
1994*	11 earned after age 21

1995*	9 earned after age 21
1996*	7 earned after age 21
After 1996	6 earned in last 3 years

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

Defining Disability

An individual who meets all of the following conditions is considered disabled and entitled to disabled worker's benefits: (1) the individual is unable to engage in any substantial gainful activity because of a physical or mental impairment. The individual must not only be unable to do any previous work, but also any other type of work considering the individual's age, education and work experience; (2) the individual's impairments are established by objective medical evidence; (3) it is expected that the individual's impairment will result in death or last for at least 12 months in a row; and (4) the individual meets the non-medical criteria needed to be insured by the program.

Some additional information is presented with respect to a "medically determinable impairment" and substantial gainful activity.

- Medically determinable impairment is a medically determinable physical or mental impairment that results from anatomical, physiological or psychological abnormalities, which can be shown by medically acceptable clinical and laboratory diagnostic techniques. Note that the physical or mental impairment must be established by medical evidence consisting of signs, symptoms and laboratory findings, and not only by the individual's statement of symptoms. The medically determinable physical or mental impairment can also be expected to last at least 12 continuous months.

- Substantial gainful activity is defined as a level of work and earnings that involves doing significant physical or mental activities and is performed for pay or profit. In terms of dollar amounts, an individual making more than $1,010 net of impairment - related expenses per month during 2012 - is considered to be engaged in substantial gainful activity. The amount is increased to $1,690 per month for blind individuals.

Disability ends when there has been a medical improvement in an individual's impairment relating to the individual's ability to work and the impairment does not meet or equal a current listing in the Listing of Impairments as shown in Table 14 below.

Disability also ends when any of the following conditions exist: (1) an exception to medical improvement applies and an individual's impairments are considered with the individual's age, education and work experience that does not prevent the individual from doing substantial gainful activity; (2) subject to the trial work period provisions, (see below) an individual demonstrates the ability to do substantial gainful activity by working; (3) an individual fails to cooperate with the SSA, for example, fails to provide needed medical or other evidence; (4) the SSA cannot locate an individual; or (5) an individual fails to follow prescribed treatment that could restore the individual's ability.

Disability Determinations

The SSA makes independent disability determinations based on all the facts for insured individuals who apply for disability benefits for a period of disability. The SSA does not make disability determinations on a rating schedule. An individual is either disable or not disabled. Generally, the SSA gives more weight to opinions from an individual's treatment sources since these sources are likely to be the medical professionals most able to provide a detailed picture of the individual's impairment.

Medical evidence may establish that an individual is disabled if: (1) the evidence shows that the individual has an impairment as described in Table 12, Listing of Impairments; (2) all the evidence in the individual's case record shows that the individual has an impairment or combination of impairments as medically severe as a listed impairment. This is called "medically equalizing a listing."

Table 12. Impairments Used to Establish Disability for an Adult

Musculoskeletal system Special senses and speech Respiratory system Cardiovascular system Digestive system	Genitourinary system Hematological disorders Skin disorders Endocrine system Impairments that affect multiple body systems	Neurological Mental disorders Malignant neoplastic diseases Immune system disorders

The listings in Table 14 are examples of common impairments for each of the major body systems that the SSA considers severe enough to keep an adult from performing any gainful activity. The impairments listed in Table 14 can be found at www.ssa.gov/disability/professionals/bluebook/AdultListings.htm.

Evidence of Disability

Individuals are required to prove that they are disabled by providing medical and other evidence of disability. The SSA is responsible for making every reasonable effort to help individuals obtain medical reports from medical sources. Individuals may be asked to provide the following: (1) names and addresses of doctors and medical treatment facilities: (2) dates of treatment and any other information that may relate to the disability; (3) any sources of medical evidence supporting the individual's disability: (4) information relating to education, work, experience, and daily activities both before and after the onset of disability; and (5) any other pertinent facts showing the effects of the impairment on the ability to perform work-related functions.

Disabled Worker's Benefits

A disabled worker is entitled to monthly cash benefits if the individual meets all of the following conditions: (1) is under a disability - see above "Defining Disability"; (2) has filed an application for disabled worker's benefits; (3) lives in a disability insured state; (4) has completed a five month waiting period - see below (unless exempt from this requirement); and (5) has not reached FRA. Disability benefits begin with the first month that the individual meets all of these conditions.

Some additional information on insured status and waiting period.

- Insured status (see Table 13). In general, an individual must be fully insured and have at least 20 quarters of coverage (credits) in the 40-quarter period just before the individual becomes disabled. The exception is for individuals who become disabled before age 31 (born in 1982 or later), if they are fully insured and have quarters of coverage in at least one-half of the quarters starting with the quarter they become age 21 and ending with the period before disability.

- Waiting period. Individuals are not entitled to benefits for any month in the waiting period, which consists of five full calendar months in a row. It begins with the earliest full calendar month but not more than 17 before the month the individual filed the application that an individual is disabled and meets the disability insured status requirements for benefit purposes. The exception to the waiting period is for an individual previously entitled to a period of disability benefits and becomes disabled again within five years following the month is previous disability ended.

An individual's disability benefits will end in whichever of the following months that occurs first: (1) the second month after the month the individual's disability ends; (2) the month before the month an individual reaches FRA or when the individual reaches FRA - the individual's benefits are automatically converted to retirement insurance benefits; or (3) the month before the month an individual dies.

Amount of Disabled Worker's Benefits and Family Benefits

An individual's disabled worker's benefit is generally equal to the PIA at the time the disability occurs. But actual disability benefits may be less than PIA if the individual receives worker's compensation and/or a public disability benefit, based on the individual's work relationship paid under a federal, state or local public law or plan, such as a CSRS disability retirement check.

The following are not considered in offsetting a Social Security disability benefit: (1) all Department of Veterans Affairs (VA) benefits; (2) federal, state or local disability benefits based on state or local employment, all or almost of which were covered for Social Security purposes; (3) private pension or private insurance benefits such as 401(k) and 403(b) plans; (4) Thrift

Savings Plan; (5) unemployment benefits; (6) proceeds from third party settlements; (7) sick pay paid by an employer; or (8) investment income.

Other family members are entitled to disability benefits if an individual qualifies for Social Security disability benefits. The following table summarizes family disability benefits.

Table 13. Family Members Qualifying for Benefits Based on an Individual's Social Security Disability Benefit

Family Member	Percentage of Individual's PIA payable*
Spouse at FRA	50 %
Spouse at Age 62	35%
Spouse with Child Under Age 16 or Disabled	50%
Each Eligible Child	50%

* Benefits may be limited by the family maximum

<u>Work Incentives</u>

- Rehabilitation. When an individual applies for disability benefits, the individual may be referred to the appropriate state agency for rehabilitation services.

- Trial Work, A trial work period (TWP) provides an incentive for personal rehabilitation efforts for a disabled worker to return to work. It allows an individual to test his or her ability to work for up to nine months within a 60 consecutive month period without earnings for those months affecting his or her benefits. If an individual's disability does not improve, and that individual continues to report his or her work activity, the individual's rights to TWP benefits are not affected. Only one TWP is allowed in any one period of disability. Disability benefits can continue throughout a nine-month TWP, plus an additional three-month grace period. During 2012, a month in which earnings - salary or net profit from self-employment - exceeds $720, generally counts as a month of trial work. After the three-month grace period, disability benefits will be suspended if earnings are considered to be substantial gainful activity.

Individuals who receive Social Security disability benefits (or who have a period of disability) must notify the SSA of certain events. The following events must be reported: (1) improvement to the individual's disabling condition; (2) work status changes such as beginning work or self-employment, ending work or self-employment, increasing work activity, increase to income; (3) application for payments under a worker's compensation program; (4) changes to the amount of payment under a worker's compensation program; (5) receiving a lump-sum settlement under a worker's compensation program; (6) end of worker's compensation and or public disability payment; or (7) confinement within the U.S. for the conviction of a felony.

Chapter 9. How Federal Employees are Affected by the Social Security "Earnings" Test

Social Security benefits are designed to replace part of the earnings an individual (or their family) lose because of retirement, disability or death. The amount of Social Security benefits received each year therefore depends on whether the individual is fully or partially retired.

The SSA uses the earnings test -also referred to as the retirement test to: (1) measure the extent of the retirement; (2) determine the amount, if any, to be deducted from monthly benefits; and (3) measure the work activity of other individuals entitled to benefits on the record and the amount of benefits payable to them. The earnings test does not apply if an applicant: (1) has reached FRA; (2) is entitled to benefits because of a disability; and (3) lives outside the U.S. and the individual's work is not covered by Social Security - this case, the foreign work test applies.

Federal employees between age 62 and their FRA who draw Social Security retirement benefits and who are working may therefore be affected by the earnings test. The earnings test is based on income earned during the year, without regard to the amounts earned each month. But in the first-year benefits are received, the earnings test is applied on a month-to-month basis. The earnings test does not apply once an individual reaches FRA. That means a federal employee or an annuitant who is working or self-employed can earn as much as they want once they reach FRA and Keep all of their Social Security retirement benefits.

Excess Earnings

Excess earnings are earnings that exceed the annual exempt amount. If an individual is between age 62 and the year they become FRA and drawing Social Security retirement benefits, the individual's excess earnings are subject to a $1 deduction from benefits for each $2 earned.

There is an annual exempt amount prior to the year of FRA attainment. In the year an applicant FRA, the applicant is subject to a different annual exempt amount. The exempt amounts vary from year to year according to increases in the nationwide earnings level. Table 14 presents a listing of annual exempt earnings from 2002 through 2012.

Table 14. Annual Exempt Amounts from 2010 to 2020

Annual Exempt Earnings		
Year	**Year of Full Retirement Age**	**Prior to Year of Full Retirement Age**
2010	37,680	14,160
2011	37,680	14,160
2012	38,880	14,640
2013	40,080	15,120
2014	41,400	15,480
2015	41,880	15,720

2016	41,880	15,720
2017	44,880	16,920
2018	45,360	17,040
2019	46,920	17,640
2020	48,600	18,240

The higher exempt amount applies if an applicant reaches FRA on or before the last day of the tax year involved. The lower exempt amount applies if the applicant does not reach FRA on or before the last day of the tax year, as the following example illustrates:

Example: *Jason, who reports his earnings on a calendar year basis, reaches FRA on September 15, 2020. The lower exempt amount ($17,640) applies for calendar year 2019, and the higher exempt amount ($38,880) applies January through August for calendar year 2020. Effective October 1, 2020, Jason no longer is affected by the earnings test, meaning he can earn as much as he wants and keep all of his Social Security retirement benefits.*

Impact of Excess Earnings

When there are excess earnings, these earnings are charged against and deducted from the benefits. The deductions begin with the first chargeable month of the tax year and continue each month until all excess earnings have been charged.

If retirement insurance benefits are received, the excess earnings are charged against the total monthly family benefit. This reduces the total family benefit. The family benefit includes all monthly benefits (other than disability insurance benefits) payable to the individual and anyone else, such as a spouse or a child, entitled to benefits on the individual's earnings record. But excess earnings do not cause deductions from the benefits of an entitled divorced spouse who has been divorced from the applicant for at least two years in a row.

Foreign Work Test

Until an individual reaches FRA, work activity over 45 hours a month outside the U.S. that is not covered by Social Security will cause suspension of benefits. The regular earnings test applies to employment covered by Social Security.

The following two examples apply to individuals who are under FRA throughout 2020 and who are drawing Social Security benefits and who have earned income.

Example1. *Darrel, a FERS annuitant, became age 63 in 2020. He retired from federal service in 2019 and receives $950 of Social Security retirement benefits each month. During 2020, Darrel* *works part-time and earns $18,900. His Social Security retirement benefits will be reduced by $1 for every $2 of earnings in excess of the exempt amount. Since he earns $660 ($18,900 less $18,240) over the exempt amount, his (and his spouse's and child's, if applicable) benefit will be reduced by $330. Since 2020 is not the first year Darrel receives benefits, the result is the same whether Darrel earns the $18,900 in one month or equally throughout 2020.*

Example2. *Kathy, a FERS annuitant, became age 62 in December 2019. She retired from federal service in March 2020 but started receiving Social Security retirement benefits in April 2020. She is receiving a benefit of $1,000 per month. From January through March 2020 Kathy's wages total $18,000. She earned $600 per month throughout the rest of 2020, bringing Kathy's total wages for 2020 to $18,000 plus $5,400 or $23,400. If an annual test were applied, Kathy would have earned $23,400 less $18,240 or $5,160 over the exempt amount and would lose $5,160/2 or $2,580 of benefits. However, since this is Kathy's first year of receiving Social Security benefits she will not lose any benefits for any month she earns no more than $1,520 ($18,240/12) or has no more than $1,520 per month in net self-employment income. Since Kathy did not earn more than $1,520 per month during 2020, no deduction in her benefits (or any family members, if applicable) will occur.*

Note: Federal employees who intend to retire after the year they become age 62 may be better off applying to receive Social Security benefits early in the year rather than waiting until their retirement date. Since the earnings test is based on annual earnings (including earnings in the months before retirement) the reduction in benefits can be used up by applying it against months in which the employee is still working.

The following two examples illustrate when benefits can start for working Social Security beneficiary who attains FRA in 2020

Exampl1. *Jason applied for Social Security retirement benefits in January 2020 and attains FRA in July 2020. Jason is working throughout 2020, earning $98,760. His earnings in the period January 1 through June 30, 2020 are $49,380.*

($49,380 - $48,600)/3 = $780

This means that $780 is withheld from Jason's Social Security benefits for the period January through June 2020. If his monthly benefit is over $780, then a partial benefit is payable for January and the full benefit begins in February.

Example2. *Same facts as in Example 1, except that Jason's earnings for 2020 are $200,000. He earns $100,000 in the period January through June 2020. He applies for benefits in January and attains FRA in July. His monthly benefit is $2,200.*

($100,000 - $48,600)/3 = $17,133.33

In this example the $17,133 exceeds the total monthly benefit of $13,200 for the six months January through June, meaning that Jason will not receive any benefit for the period January through June. His benefits begin in July 2020 regardless of earnings benefits that are payable for the month that FRA is attained and every month thereafter.

Note that in both examples Jason applied for his benefit in January. If he had waited until July to apply for benefits then no benefits would have been payable before July. This is because an application for retirement benefits cannot be retroactive for any month prior to FRA.

<u>Special Payments after Retirement</u>

After an employee retires the employee may receive special payments for work that was performed before the employee started receiving Social Security benefits. These special payments will usually not affect the retired employee's Social Security benefit of the payment or compensation for work performed before retirement. These amounts may be shown on the employee's W2 in the box labeled "nonqualified plan."

These special payments include: (1) bonuses; (2) sick pay paid more than six months after the month last worked; (3) severance pay such as the $25,000 Voluntary Separation Incentive Payment that some federal agencies give to employees who retire early; and (4) unused annual leave lump-sum payment.

<u>Types of Income Included in the "Earnings Test</u>

Any payments for work performed, income as shown on a W2, and net self-employment income are considered earned income for purposes of the excess earnings test, regardless of whether the income is subject to Social Security tax.

<u>Types of Income Not Included in the Earnings Test</u>

Certain income is not considered in the earnings test, including: (1) interest and dividends; (2) rental income, unless the income is subject to self-employment tax; (3) royalties, unless the income is subject to self-employment tax, such as royalties by an author; (4) pensions or retirement pay; (5) capital gains; (6) gifts and inheritance; (7) Social Security benefits; (8) prize winnings from contests; (9) lottery winnings; and (10) veterans and other government benefits.

Chapter 10. Applying for Social Security Benefits

Advance planning is the key to success when applying for Social Security benefits. The planning process should begin during the years leading up to retirement. The actual application will not, however, be accepted until shortly before retirement.

When to Apply

An application for monthly retirement benefits may be filed up to four months before becoming eligible for benefits. An application for disability insurance benefits may be filed before the first month of becoming entitled to benefits. An application for monthly survivor benefits should be filed immediately when meeting all eligibility requirements for benefits on the deceased's record.

An individual may get in touch with a Social Security office up to four months before turning age 62. The SSA will provide the information needed to decide if the application for benefits should be filed or delayed.

If an application is not filed for reduced retirement benefits, at age 62, an individual should contact the SSA again: (1) up to four months before planning to retire; (2) as soon as the individual knows that he or she will neither earn more than the monthly exemption in wages or render substantial services in self-employment in one or more months of the year, regardless of expected total annual earnings**;** or (3) up to four months before reaching FRA, even if the individual is still working.

Where to File

Applications for Social Security benefits may be filed: (1) at a Social Security office. Retirement, spouse and disability applications may be filed online at www.ssa.gov (see below); (2) at a U.S. Foreign Service Office post; (3) in certain cases with the Railroad Retirement Board or the Department of Veterans Affairs; or (4) in certain cases, with a provider of hospital services that is participating in the Social Security hospital insurance program.

Applying Online

To apply for benefits online at **https://secure.ssa.gov/iCLM/rib**, the individual should:

- Fill out the online application. After completing the application, applicants will be asked to confirm the truthfulness of their answers under penalty of perjury and their responses will be recorded. They can be held liable by law for providing false or misleading information.

- Sign the application electronically by clicking on the "sign now" button that will appear on the screen after completing the application.

- Submit any documents necessary to a Social Security office.

If an online application cannot be completed for any reason, applicants will be able to restart the process without losing the information previously entered.

Information needed to file for benefits

The following information should be close at hand in order to make completing the application much easier: (1) date and place of birth and Social Security number; (2) bank or other financial institution's routing transit number, if it is desired to have the benefits electronically deposited; (3) the amount of money earned last year and this year. If the applicant is filing for benefits in the months of September through December, the applicant will also need to estimate next year's earnings; (4) the name and address of the employers for the current year and previous year; (5) the name, Social Security number and date of birth or age of the individual's current spouse and any former spouses. Also, the dates and places of marriage and dates of divorce and death (if applicable); (6) the beginning and ending dates of any active U.S. military service; and (7) a copy of the individual's Social Security statement. Even if the earnings on the statement are incorrect, the application should still be completed. A statement may be obtained by going online at **www.ssa.gov** and requesting a statement.

The SSA may need to see certain documents in order to pay benefits. A list of these documents will appear at the end of the application along with instructions on where to mail them. The types of documents that may re requested are: (1) original birth certificate or other proof of birth; (2) original citizenship or naturalization papers: (3) copy of U.S. military service papers, such as DD-214; or (4) copy of W2 forms and self-employment tax return for last year.

The SSA will return all documents and photocopies unless specifically told otherwise.

When Individuals Receive Social Security Benefits

Benefits are paid the month after the month for which the benefit is due. For example, the benefit for May is paid in June.

Most new beneficiaries are paid on either the second, third, or fourth Wednesday of each month based on the birthday of the insured worker. Table 15 summarizes:

Table 15. When insured workers are paid.

If the insured worker's birthday is......	Then payment will on the ......
On the first through the 10th of the month	Second Wednesday of the month
On the 11th through the 20th of the month	Third Wednesday of the month
After the 20th of the month	Fourth Wednesday of the month

Appendix

(1) References, additional information, and calculators
(2) Sample benefits presentation obtained from http://www.ssa.gov/mystatement

References, Additional Information, and Calculators

A. General Information on Social Security Retirement Benefits

1. https://www.ssa.gov/pubs/EN-05-10035.pdf January 2020
2. Social Security Retirement Planner**, https://www.ssa.gov/benefits/retirement**

B. Special Situations

1. Windfall Elimination Provision, SSA Publication No. 05-1004, January 2020 https://www.ssa.gov/pubs/EN-05-10045.pdf

2. Government Pension Offset, SSA Publication No. 05-10007, **https://www.ssa.gov/pubs/EN-05-10007.pdf**

3. Military Service and Social Security, SSA Publication No. 05-10017, January 2020, **https://www.ssa.gov/pubs/EN-05-10017.pdf**

Online Social Security Statement (obtained from https://www.ssa.gov/myaccount)

Estimated Benefits

About Your Estimated Benefits

How you qualify for benefits...

To qualify for benefits, you earn "credits" through your work - up to four each year. This year, for example, you earn one credit for each $1,410 of wages or self-employment income. When you have earned $5,640, you have earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors' benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you have not earned enough yet to qualify for any type of benefit, we cannot give you a benefit estimate now. If you continue to work, we will give you an estimate when you do qualify.

How we estimated your benefits...

If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2012 and later (up to retirement age), we assumed you will continue to work and make about the same as you did in 2010 or 2011. We also included credits we assumed you earned last year and this year.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator to obtain immediate and personalized benefit estimates.

We cannot provide your actual benefit amount until you apply for benefits. And that amount **may differ** from the estimates shown below because:

- Your earnings may increase or decrease in the future.
- Your actual benefits will be adjusted for cost-of-living increases.
- Your estimated benefits are based on current law. The law governing benefit amounts may change. Congress has made changes to the law in the past and can do so at any time.

- Your benefit amount may be affected by military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.

If you work in a job where you don't pay Social Security tax...

Windfall Elimination Provision (WEP)...
If you receive a pension from employment in which you did not pay Social Security taxes and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. To estimate WEP's effect on your Social Security benefit, go to How the Windfall Elimination Provision Can Affect Your Social Security Benefit. In 2012, the maximum monthly reduction is $384. For more information, please see *Windfall Elimination Provision*.

Government Pension Offset (GPO)...
If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse's record. To learn more, please read *Government Pension Offset*.

Retirement

You have earned enough credits to qualify for retirement benefits. At your current earnings rate, your estimated payment would be:

At full retirement age (66):

$1,236 a month

At age 70:

$1,921 a month

At early retirement age (62):

$766 a month

Your estimates are based on the assumption that you will earn $72,155 a year from now until retirement.

Disability

You have worked enough credits to qualify for disability benefits.

If you become disabled right now your estimated payment would be:

$976 a month

Apply Online for Disability

Family

If you get retirement or disability benefits, your spouse and children also may qualify for benefits.

Survivors

You have enough credits for your family to qualify for survivor benefits. If you die this year, certain members of your family may be eligible for these benefits:

Your child:

$774 a month

Your spouse who is caring for your child:

$774 a month

Your spouse (starting at full retirement age):

$1,033 a month

Your total family benefits cannot be more than $1,614 a month.

Your spouse or minor child may be eligible for a special one-time death benefit of $255.

Medicare

You have worked enough to qualify for Medicare at age 65. Even if you do not retire at age 65 be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

Print / Save Your Full Statement

Get a copy of your Statement information in a convenient, print-friendly format.