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## Social Security (SS) Benefits - The Basics

### PART A - RETIREMENT, FAMILY, SURVIVOR, & DISABILITY BENEFITS

By Victor Sy, CPA, MBA

**INTRODUCTION:** Social Security is a government insurance program signed into law by President Franklin D. Roosevelt way back in 1935. The U.S. government functions as an insurance company; collect insurance premiums, and payout insurance benefits on the retirement or death of a worker. Disability and Medicare were later added to these benefits. Today, the sole source for 22% of those aged 65 and older is Social Security. SS benefits constitute about 40% of that age group's annual income.

Social Security is not a welfare system. All benefits are earned (do not confuse this with SSI Supplemental Security Income, a welfare program that is also discussed at the end of this article).

#### RETIREMENT BENEFITS:

1. There are two eligibility requirements: minimum age and minimum work.
2. You must attain the **minimum age of 62** (your first month of eligibility is the first full month after 62).
3. You must pass a minimum work requirement by accumulating **10 years** (or 40 quarters under FICA - Federal Insurance Contributions Act).
4. The amount of your SS checks is based upon your lifetime average earnings and worker's age when checks begin (there is no extra credit for earnings in excess of FICA maximums).
5. Just in case you wonder if you will ever get your money's worth, the **break-even point with a normal retirement age of 65 is age 77**. In other words, if you die before age 77, you would not recover money that you put in to the system. Conversely, if you live past 77, you stand to collect more money. (Read our future article on when to start receiving SS benefits)
6. File for benefits at least nine months prior to the effective date of your 62nd or 65th birthday.

#### FAMILY BENEFITS:

1. Family benefits are additional payments made to members of your family to replace earnings due to retirement or disability.
2. Family benefits do not reduce your own benefits.
3. Spousal benefits are based on full Primary Insurance Amount (PIA), not on what the worker actually receives.
4. Your children are entitled to SS benefits when you are either retired or disabled.
5. Children should be unmarried and through the age of 17 (or 18 if full time high school student).
6. Children are entitled to 50% of what would have been available to you, the worker (full PIA), regardless of actual amount.

#### SURVIVOR'S BENEFITS:

1. Social Security also provides benefits to your family upon your death.
2. Survivor benefits tend to be higher than family benefits (because your own benefits would be zero as the Post Office would have difficulty delivering your checks upstairs, way upstairs).
3. Benefits are payable to your widow (er), unmarried children, dependent parents, or even your beloved ex- spouse.

4. Your ex-spouse can qualify for benefits at any age if you were **married for at least 10 years**, divorced at least two years, and be **at least 62 years** old. Marriage of less than 10 years is O.K. if your former spouse is caring for an eligible child under age 16.
5. Old rules cancelled benefits on remarriage. New rules O.K. remarriage after age 60.
6. If you, the worker, do not live to retirement age, benefits to your widow are calculated as if you reached age 65 at the time of death.
7. If an individual is widowed at age 65, then benefits are computed at 100%.
8. Benefits are given to unmarried children under age 18 (or 19 for high school students).
9. Dependent parents, who are 62 years or over and who have been receiving 50% or more personal support prior to the worker's death, also receive benefits. (TIP: Consider claiming your parents as dependents especially if they send their benefits abroad causing you to provide more than 50% of their support).

#### **DISABILITY BENEFITS:**

1. SS provides a package of benefits including monthly disability benefits to you, your spouse or children, and Medicare health insurance after two years of disability benefits.
  2. You must meet a substantial lifetime work test and recent work experience.
  3. Disability must virtually prevent all work and can be expected to last for at least a year or be terminal
  4. About 80% of all claims are denied because disability should be total and permanent
  5. About 3,000,000 currently receive SS disability checks
  6. Applications for disability are given to State government Disability Evaluators (Cheaters on wheelchairs could find themselves rocking away to the beat of Salsa on candid camera). ☺
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#### **INTERNET:**

1. [www.ssa.gov](http://www.ssa.gov) – for online application.
  2. [www.medicare.com](http://www.medicare.com) – for Medicare information.
  3. [www.seniors.gov](http://www.seniors.gov) – for a one-step access to government services.
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**DEVELOPMENT 1:** The IRS has started levying SS benefits for unpaid taxes.

**DEVELOPMENT 2:** The Medicare Prescription drug bill included a little noticed provision that added a surcharge in addition Part B premium substantially for high-income individuals.