

What You Need to Know About Disability Benefits

Teresa A. Sampleton, CLU, ChFC, CFP®

Vice President

Sampleton Wealth Management

123 Main Street
New York, NY 10001

888-336-6884

www.sampletonwealth.com



–Elaine Floyd, CFP®

Most of us probably hope that we will never need disability benefits. But for those who qualify, they can be an important source of income.

The disability portion of the Social Security program is so big and so complex that there are law firms that specialize in helping workers navigate their way through it. Although you may never need to take advantage of disability benefits, it is good to have a working knowledge of the basics should the need arise.

There are two forms of disability benefits. One falls under the SSI (Supplemental Security Income) program, which is need-based for people with less than \$2,000 in assets. The other is part of the regular Social Security program: anyone who has worked in a Social Security-covered job at least 10 years may become eligible for disability benefits if he finds himself unable to work because of an illness or condition that meets Social Security's definition of disability. We will refer to this as SSDI (Social Security Disability Insurance), but it is not to be confused with the disability portion of SSI.

For those who qualify, SSDI may be a way to avoid taking a permanently reduced retirement benefit. Let's say you are 62, have a primary insurance amount (PIA) of \$2,200, and stopped working because of some physical limitation. You may decide to go ahead and apply for early retirement benefits. If you do that, you'll receive a monthly benefit of \$1,650 (75% of \$2,200).

But if you can qualify for disability benefits, you'll receive a monthly benefit equal to your PIA, or \$2,200. Then when you turn full retirement age, your disability benefit will convert to a retirement benefit in the same amount (plus cost-of-living adjustments, or COLAs).

The biggest drawback is that it's a hassle. And the income doesn't start right away—there's at least a five-month waiting period after the onset of the disability, during which time no benefits are paid. Most disability claims are denied at first, which is why lawyers have their work cut out for them helping workers appeal their disability rulings. But if you are under full retirement age (FRA) and have a legitimate disability claim, it may be worth it to file in order to avoid taking a permanently reduced retirement benefit.

Keep in mind that SSDI is only for workers who are under FRA (after FRA you receive your regular retirement benefit). And if you take advantage of SSDI while under FRA you may be prohibited from pursuing certain spousal strategies after FRA. For example, you aren't able to restrict your application to a spousal benefit under the claim-now-claim-more-later strategy because you would already have an active application for your retirement benefit due to the automatic

conversion from disability at FRA. You could, however, suspend the disability-turned-retirement benefit and earn delayed credits from age 66 to 70.

Here are some commonly asked questions about SSDI:

Who is eligible for SSDI?

You may be eligible to receive SSDI if you:

- Have worked in jobs covered by Social Security
- Have a medical condition that meets Social Security's definition of a disability

Your disability must be expected to last at least one year or result in death. You won't receive benefits for partial or short-term disability (less than a year).

Why is there a five-month waiting period to receive SSDI benefits?

The waiting period is long enough for most disabilities to be corrected or for you to show signs of recovery within less than 12 months after the onset of disability.

What is considered a disability?

Disability under Social Security is based on a person's inability to work. You will be considered disabled if you cannot perform at the same working capacity as you did before, and Social Security decides that you cannot adjust to other work because of your medical condition(s). Your disability must also last or be expected to last for at least one year or result in death.

Where can I get a list of disabling impairments?

See Disability Evaluation Under Social Security, which contains the medical criteria Social Security uses to determine disability. It is intended primarily for physicians and other health professionals.

What information do I need to provide to apply for SSDI benefits?

You may need to provide the following information to apply for SSDI benefits:

- Social Security number
- Birth certificate or other proof of age

- Names, addresses, and phone numbers of doctors, hospitals, clinics, and institutions that treated the client, and the dates of treatment
- Names of all medications being taken

How do I apply for SSDI?

You can apply for disability benefits online or call toll-free, 1-800-772-1213. Social Security representatives can make an appointment for your application to be taken over the phone or at a local Social Security office.

What is the typical time period to apply?

Social Security considers the application filing date to be the day you make an appointment to apply for SSDI. It generally takes approximately 90 days to process a claim for disability benefits. The time may be shorter or longer depending on the amount of information required to make a decision on your claim.

Once I am eligible for SSDI, how long will I be enrolled?

You will continue to receive SSDI benefits as long as you continue to be disabled and meet other eligibility requirements. However, Social Security will periodically review your case to see whether you are still disabled. The frequency of the reviews depends on the expectation of recovery.

- If medical improvement is "expected," your case will be reviewed within six to 18 months
- If medical improvement is "possible," your case will be reviewed in three years
- If medical improvement is "not expected," your case will be reviewed in seven years

Can I receive spousal benefits?

Yes, if you are 62 or older, the disability benefit is less than 50% of your spouse's PIA, and your spouse has filed for benefits. For example, Jane is 62 and receiving a disability benefit of \$800. John is 66 and has just filed for his benefit of \$2,600. Jane may now add on a spousal benefit equal to the difference between her PIA and one-half of John's PIA, or $\$1,300 - \$800 = \$500$.

Because Jane is taking the spousal benefit early, at age 62, the spousal add-on will be reduced to 70%. This will give her an add-on of \$350. This is added to her benefit to give her a total benefit of $\$800 + \$350 = \$1,150$.

Can I stop my disability benefit and take a spousal benefit while my own benefit builds delayed credits?

No. Once a person has filed for disability benefits, it is no longer possible to file a restricted application for spousal benefits. So if your own benefit is higher than the spousal benefit, you may not receive a spousal benefit. Example: Bonnie is 64 and receiving a disability benefit of \$1,800. Her husband Bill is 66 and just filed for his benefit of \$2,200. Bonnie may not add on a spousal benefit because her PIA is more than half of Bill's PIA. When Bonnie turns 66 her disability benefit will convert to a retirement benefit and the amount will remain the same. At this time she may suspend her benefit to build 8% annual delayed credits to age 70. However, because she already opened her record and cannot file a restricted application, she may not receive a spousal benefit while her benefit is in suspension.

Can my spouse receive spousal benefits when I am on disability?

A key requirement for spousal benefits is that the other spouse must have filed for his or her benefit. If that other spouse is receiving disability benefits, this satisfies the requirement. Example: Susan, 60, receives a disability benefit of \$1,400. Her husband Sam is 66.

Because Susan has filed for her own disability benefit, and because Sam is grandfathered for restricted application, he may file for his spousal benefit.

What if I am receiving disability benefits from a private disability policy?

The receipt of private disability benefits will not affect SSDI. However, most disability policies have an offset provision which requires the claimant to file for SSDI and then reduces payments by the amount of the SSDI.

What about Medicare?

If you are under 65 you may qualify for Medicare after receiving disability benefits for 24 months. At that time Social Security will automatically sign you up for Parts A and B and mail you the Medicare card. You can decline Part B if you want—for example, if you are covered by employer-sponsored health insurance. However, you should call the Social Security Administration to confirm there will be no late-enrollment penalties.

Once you turn 65 you will re-enroll in Parts A and B as a retiree. Again, if you are covered by employer-sponsored group insurance you may decline Part B. (Since people on disability generally are not employed, this would likely be a spouse's plan.)

Elaine Floyd, CFP®, is Director of Retirement and Life Planning for Horseshoeth, LLC, where she helps people understand the practical and technical aspects of retirement income planning.

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