

Social Security for Minor Children

Teresa Sampleton, CLU, ChFC, CFP®

Vice President

Sampleton Wealth Management

123 Main Street
14th Floor
New York, NY 10018

(888) 336-6884

tsampleton@sampletonwealth.com
www.sampletonwealth.com



–Elaine Floyd, CFP®

If you have minor children at home, Social Security benefits may be available to them. Know these rules and get maximum benefits for your family.

It is not so unusual today for a person eligible for Social Security retirement benefits to have young children. Once the parent files for benefits, a minor child may also qualify for Social Security dependent benefits. The child can be a natural child, an adopted child, or a stepchild.

Each child may receive 50% of the parent's primary insurance amount (PIA) up to the family maximum. The benefit may continue until the child is 18, or 19 if still in high school.

Example: Don is age 66 and has a PIA of \$2,400. He has one child, Diane, who is 10. Once Don files for his benefit, Diane may receive a dependent benefit of 50% of Don's PIA, or \$1,200. This benefit may continue until Diane turns 18.

Note that it will be necessary for the parent to file for his own benefit in order for the child to receive benefits. Because it is often recommended that the higher-earning spouse delay benefits to age 70 to maximize both the retirement benefit and the survivor benefit for the surviving spouse, this creates a conflict:

- Do you file early and take a reduced benefit so you can start benefits for the child?

- Or do you file at the optimal time for your own lifetime benefit even if it means missing out on a few years of children's benefits?

We have analyzed this and concluded that the optimal strategy is to delay benefits. Filing at 62 would cause the primary earner's benefit to be reduced to such an extent that the extra years of children's benefits would not make up for the loss in lifetime benefits for the worker and his surviving spouse. Remember, when one spouse dies, the couple's lower benefit will stop, and the higher of the two benefits will continue. The surviving spouse will need a high survivor benefit to maintain their standard of living.

Child-in-care benefits

If your child is receiving a benefit based on your record, your spouse may be able to receive a benefit for having a child in care. The child-in-care benefit is generally 50% of your PIA until the child turns 16.

Two complications

There are two issues that could cause benefits to be reduced. One is the earnings test. The other is the family maximum.

Earnings test. Most parents of minor children must continue to work. (There is college to save for, after all.) If a parent files for his benefit before full retirement age, some or all of his benefit – and all other benefits paid on his record – may be withheld for the earnings test. Filing at full retirement age or later avoids this mandatory withholding of benefits. Furthermore, any child-in-care benefits paid to the spouse may be withheld if the spouse works. Not much can be done about this: If the spouse is under full retirement age and works, some or all of the child-in-care benefit may be withheld. However, depending on how the family maximum comes into play, it may behoove the spouse to forego the child-in-care benefit to make more benefits available to the children.

Family maximum. There is a maximum amount of dependent benefits that can be paid on each person's earnings record. This is called the maximum family benefit (MFB) and it is shown on your Social Security statement. It's generally about 150% to 180% of your PIA. Here's how it works: Your PIA is subtracted from the MFB to determine the amount of benefits that can be paid to family members.

Example: Bill's PIA is \$2,400. His MFB is \$4,200. Bill has two children: Brenda, 8, and Barbara, 10; and a spouse, Bridget, who is caring for them. Bill files at his full retirement age of 66. To determine the amount available to the spouse and children, SSA would subtract \$2,400 from \$4,200 to get \$1,800. This amount would be divided equally among the three dependents, giving Bridget, Brenda, and Barbara \$600 each. If Bridget gives up her child-in-care benefit, Brenda and Barbara would split the available family maximum of \$1,800, receiving \$900 each. When Barbara turns 18 her benefit will be terminated. Now Brenda, as the only dependent, will receive the full 50% of Bill's PIA, or \$1,200.

What if a parent is deceased?

The children of deceased workers, and the surviving spouse who is caring for the children, are all eligible to receive a benefit of 75% of the worker's PIA, subject to the family maximum. The children's benefits may continue to age 18 (19 if in high school); the caretaker's benefit may continue until the youngest child turns 16.

When the surviving spouse turns 60, she becomes eligible for her own survivor benefit. If she claims the benefit at 60, it will be reduced to 71.5%; if she claims it at her full retirement age, she will receive the full amount, or 100% of the late worker's PIA.

What about grandchildren?

More common than retirees with minor children are retirees caring for grandchildren. Can you get Social Security benefits for your grandchild?

Generally no, unless you have adopted the child or the child's parents are deceased or disabled. If the parents are deceased or disabled you should talk to SSA about available benefits for the child, either on your record or on one of the parent's records.

What about adult disabled children?

Children who become disabled in childhood may receive benefits on a parent's record after the age of 18. These benefits may continue as long as the child is disabled.

Note, again, that the parent on whose record the benefit is being paid must have filed for his benefit. If, when a disabled child turns 18 the parent is not yet eligible for Social Security retirement benefits (or wants to delay filing), the child may be eligible for Supplemental Security Income (SSI). Then when the parent files, the child can switch to the Social Security dependent benefit off the parent's record, if it is higher.

Once again, it is generally not worth filing early to entitle your children to benefits. This is true even if they're disabled.

However, this is only a rule of thumb. Consult your financial advisor and review your entire retirement plan before making any Social Security claiming decisions.

Parents as representative payees

If your child is eligible for Social Security benefits, you, or someone you appoint, will serve as representative payee. The representative payee manages the child's Social Security benefits and ensures they are used for the child's personal care and well-being. Once the child's day-to-day needs for food and shelter are met, you can use the money to attend to their other needs. See SSA publication no. 05-10076 "A Guide for Representative Payees."

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

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