Social Security, Citizenship, and Residency

Teresa A. Sampleton, CLU, ChFC, CFP®
Vice President
Sampleton Wealth Management
123 Main Street
12th Floor
New York, NY 10018
888-336-6884

tsampleton@sampletonwealth.com
www.sampletonwealth.com

–Elaine Floyd, CFP®

The vast majority of American citizens spend their whole lives in the U.S., paying into the U.S. Social Security system and eventually drawing benefits which are deposited into a U.S. bank account. But as with all things Social Security, there can be complications.

Here are some examples of how Social Security works in overseas cases.

I am a U.S. citizen. Can I receive Social Security benefits if I live outside the U.S.?

Yes. Although SSA will send checks to other countries (with a few exceptions), it is recommended that you have the payments automatically deposited to your bank account to avoid mail delays and currency conversion fees.

I am a citizen of [another country] but paid into the U.S. Social Security system. Can I receive benefits if I live in the U.S.? What if I return to my home country?

As long as you are a citizen of one of the 24 countries* with which SSA has an agreement, you will be able to receive your Social Security benefits regardless of where you live. If your country of citizenship is not on the list, you must live in the U.S. to receive benefits. If you leave the U.S. and remain outside the country for more than six months, your benefits will be stopped. Use this screening tool to see if you will be subject to SSA's residency rules for non-U.S. citizens based on your country of citizenship: https://www.ssa.gov/international/payments_outsideUS.html.

* The current list of countries includes Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea (South), Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, and United Kingdom. This list is subject to change. See this country list for updates: https://www.ssa.gov/international/countrylist3.htm.

I divided my career between the U.S. and [another country]. Can I get benefits from both countries?

SSA's totalization agreements lay out the manner in which benefits will be coordinated between the two countries if you worked in both countries. In some cases the agreement will help your benefit, such as when it credits your U.S. earnings record with work performed in another country. In other cases, such as when you are entitled to full benefits from both countries, it will reduce your U.S. benefit under the Windfall Elimination Provision. Here is a list of totalization agreements: https://www.ssa.gov/international/agreements_ overview.html. It is really not possible to figure out benefit amounts from this agreement. You will need to contact SSA to find out how much you are entitled to.

I married a non-U.S. citizen. Can she get spousal benefits?

Yes, if she is a citizen or a resident of one of the countries with which the U.S. has a totalization agreement. If not, she must meet the basic U.S. residency requirements for non-U.S. citizens: 1) She must have lived in the U.S. for five years and been married to you during the five years of residency (the five years do not have to be continuous), and 2) she must live in the U.S. to receive benefits; if she leaves the country and stays outside the U.S. for more than six months, her benefits will be stopped. There are several exceptions, though, so contact SSA to get information on your individual situation.

If I die, can my non-U.S. citizen spouse get survivor benefits?

Yes if her country of citizenship or residency is on the list. If it's not, she can immediately apply for legal, permanent residency (green card), which will allow her to stay in the U.S. and receive survivor benefits. Prior to October 28, 2009, widows had to have been married to the deceased citizen for at least two years at the time of the deceased citizen's death in order to immigrate as the widow(er) of a citizen. Congress removed this requirement, effective October 28, 2009. To be eligible for this, she must not have remarried and must meet a number of other criteria.

What about U.S. taxes?

Up to 85% of Social Security benefits may be subject to U.S. income tax. U.S. citizens may elect to have taxes withheld from their benefits, or they may assume responsibility for making quarterly estimated tax payments. The same goes for non-U.S. citizens who live in the United States or in a country with whom the U.S. has a tax treaty. These include Canada, Egypt, Germany, Ireland, Israel, Italy, Japan, Romania, and the United Kingdom. Non-U.S. citizens who live in a country that does not have a tax treaty with the U.S. may have a flat 30% of 85% of their benefits withheld for U.S. income tax. This results in a 25.5% withholding of the benefit amount.

What about Medicare?

Medicare generally does not cover health care services delivered outside the United States. Anyone who plans to permanently relocate overseas will need to make other arrangements for health care.

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

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