

8 Key Differences Between Retirement and Disability Benefits

Each year, over 65 million retirees, disabled individuals, survivors, and their dependents receive cash benefits from the Social Security Administration (SSA). Social Security Retirement benefits (referred to hereafter as SSR) and Social Security Disability Insurance (SSDI) benefits account for nearly ninety percent of benefits paid out by Social Security. While the two programs have many similarities, we created this resource to highlight some of the key distinctions between these two types of benefits.

1 Age plays a role in receipt of benefits.

An individual cannot receive both SSDI and SSR benefits at the same time. SSDI benefits are generally paid to disabled individuals between the ages of 22 and full retirement age (age 66 in 2021). Retirement benefits only become payable once an individual reaches full retirement age, unless they choose to retire early and receive a reduced benefit amount beginning as early as age 62. The average age of an SSDI beneficiary is 55, compared to 74 for an SSR recipient.

2 The qualifications for benefits may vary.

To qualify for either SSDI or SSR benefits, one must satisfy certain non-medical requirements, such as being sufficiently insured, through SSA. For a disabled individual, this generally equates to working five out of the last ten years, while a retiree must have worked a total of at least ten years. To receive SSDI benefits, one must also satisfy the medical requirements of having a physical and/or mental impairment, or combination of impairments that prevents them from engaging in substantial gainful activity for at least one year or is expected to result in death. There is, however, no medical requirement to receive retirement benefits. Assuming an individual meets both the age and insured status, they will be entitled to SSR benefits.

3 Benefits are calculated using the same formula, but may be paid differently.

When an individual's SSDI claim is approved, benefits are paid as if he or she has reached full retirement age. Social Security uses the same factors to determine the total benefit amount, including age, the number of years worked, annual earnings, and how much has been paid into Social Security in years past. When early retirement benefits are elected, however, benefits are subject to a reduction factor of up to 30% of the calculated amount. There is no such reduction rule for disability benefits, regardless of a beneficiary's age.

4 The timeframe for approval vastly differs.

Most claimants are not approved for SSDI benefits during the initial application round of the process. It typically takes months, if not years, of filing and appeals to receive SSDI benefits, as Social Security must review a claimant's medical information to determine if—according to their guidelines—a disabling condition(s) prevents the applicant from engaging in any work. Retirement benefits, however, are approved much more quickly, with the application period often only lasting a few weeks. Social Security may request additional information, such as a marriage certificate, proof of lawful presence in the United States, or earnings certification, but typically these requests do not significantly extend the wait for an approval.

5 Benefits may come with entitlement to Medicare coverage.

Medicare is a federally based program with options for additional coverage under advantage or supplemental plans. After receiving SSDI benefits for two years, SSDI beneficiaries automatically become eligible for Medicare coverage irrespective of age. Receipt of SSR benefits does not qualify an individual for health coverage, regardless of the benefit duration or age of receipt, however, Medicare is available to eligible individuals at age 65, so SSR recipients qualify for Medicare based upon age alone.

6 Returning to work may have an impact on benefits.

To qualify for SSDI benefits, one must be unable to work due to physical and/or mental impairment(s). After approval, individuals who return to work can earn up to a predetermined threshold—in 2021, this amount is \$1,310 for non-blind individuals and \$2,190 for blind individuals. If a beneficiary exceeds these earnings for nine months, benefits will terminate, but they may resume if the beneficiary's earnings dip below the earnings threshold within three years. If, while working, a beneficiary elects to receive SSR benefits prior to reaching full retirement age, their benefits would be subject to a reduction for earnings over a yearly allowable threshold. Once a beneficiary reaches full retirement age, work and earnings pose no further reduction to their SSR benefits.

7 Benefits may be reduced by other sources of income.

For SSDI recipients, other sources of income such as Worker's Compensation payments, public disability benefits, and pensions received from non-FICA covered employment may offset or reduce their benefits. A reduction will occur to prevent beneficiaries from receiving more on disability benefits than they would have earned working. This reduction will impact both the beneficiary and any dependents receiving benefits on their record. Worker's Compensation payments or other sources of income that would typically impact SSDI benefits will not have an impact on SSR benefits. Similarly, any dependent receiving benefits on their record will not be impacted by receipt of other income sources.

8 Entitlement to benefits may allow receipt of additional benefits for survivors.

Widow(er)s benefits are payable to those who are 60 years old and meet the appropriate marriage duration requirements. Once beneficiaries reach age 62, they may switch over to their own retirement payments should they be higher. Being approved for SSDI benefits, however, may entitle claimants to receive Disabled Widow(er)s Benefits as early as age 50. Social Security will always pay claimants the benefits they are entitled to based upon on their own record first, but if a deceased spouse earned higher wages, a beneficiary may be eligible to receive additional funds as a widow(er).

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