

# YOUR GUIDE TO SOCIAL SECURITY BENEFITS

Social Security Administration

Who Should Read This Booklet?

You should!

Whether you're young or old, male or female, single or with a family--this booklet is for you and about you. That's because Social Security has programs that affect everybody.

Chances are you're either paying Social Security taxes or getting Social Security benefits--or you're related to somebody who is.

Whatever your situation, this booklet has information you will find helpful and useful.

It was prepared by the Social Security Administration and tells you what you need to know about Social Security while you're still working and what you need to know when it's your turn to collect benefits.

Please Note: This booklet provides a general overview of the Social Security program. The information it contains is not intended to cover all provisions of the law. For specific information about your case, contact a Social Security office.

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Social Security's Toll-Free Number 1-800-772-1213 Call between 7 a.m. and 7 p.m. any business day.

Part 1--Social Security's Future... And Yours!

Is There Social Security In Your Future?

Before we get started explaining the program, we think it's important to answer the first question many people have about Social Security. Perhaps you've asked it yourself. That question is: "Will Social Security be there when I need it?"

The simple and logical answer is, "Yes it will." But that answer deserves an explanation.

If you're concerned about the future of Social Security, it's probably because you've heard misleading stories about Social Security money being used for other purposes (which are partially true) and reports that the system's trust funds contain only "worthless IOU's" (which are false). Here are the facts. Out of every dollar you pay in Social Security taxes:

73 cents goes to a trust fund that pays monthly benefits to about 29 million retirees and their families and to about 8 million widows, widowers, and children of workers who have died;

19 cents goes to a trust fund that pays for the health

8 cents goes to a trust fund that pays benefits to about 5 million people with disabilities and their families.

Money not needed to pay these benefits is invested in U.S. government bonds-generally considered the safest of all investments. And the government uses the money it has borrowed from Social Security, just as it uses the money that you may have invested in treasury bonds, to pay for all the services and projects it provides for our citizens. But, just as the government pays you back with

interest when you redeem your bonds, it has always made good on its obligations to Social Security. There's no reason to believe it won't continue to do so. If you own treasury bonds, it's a safe bet you don't consider them to be "worthless IOU's." We don't either. Our investments will be honored and we, in turn, will honor your investment in Social Security. It will be there when you need it!

### When Will You Need Social Security?

Now that we've answered your first question and told you that Social Security will be there when you need it, the next question you may ask yourself is this: "When will I need it?"

If you're like most people, you tend to think of Social Security as a retirement program. Although it's true that most of our beneficiaries (about 60 percent) receive retirement benefits, many others get Social Security because:

- they are disabled;

- they are a dependent of someone who gets Social Security; or

- they are a widow, widower, or child of someone who has died.

So, depending on your circumstances, you may be eligible for Social Security at any age. In fact, Social Security pays more benefits to children than any other government program. Today, 45 million people, almost one out of every six Americans, collect some kind of Social Security benefit.

### How To Reach Us When You Need Us

The Social Security Administration has about 1,300 offices in cities and towns across America. Of course, you're always welcome to visit the office nearest you.

But the easiest way to reach us is to call our toll-free number: 1-800-772-1213. You can get information 24 hours a day. You can speak to a service representative between 7 a.m. and 7 p.m. on business days.

If you have a push-button (tone) phone, recorded information and services are available after 7 p.m. weekdays and all day on weekends and holidays.

If you want to speak to a representative the best times to call are early in the morning and early in the evening. And if you can, it's best to call later in the week and later in the month. When you call, have your Social Security number handy.

Hearing-impaired callers using "TDD" equipment can reach Social Security between 7 a.m. and 7 p.m. on business days by calling 1-800-325-0778.

The Social Security Administration treats all calls confidentially--whether they're made to our toll-free numbers or to one of our local offices. We also want to ensure that you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

### Your Future ... And This Booklet

Here's one final message about Social Security's future, your future, and this booklet: Social Security will be there--whenever you may need it.

But even though Social Security will be ready for you, will you be ready for Social Security?

This booklet will help you with the kinds of plans and decisions you need to make now in order to ensure a brighter and more secure financial future for you and your family.

## Part 2--What You Need To Know About Social Security While You're Still Working

### How Social Security Works--The General Idea

The basic idea behind Social Security is a simple one. You pay taxes into the system during your working years, and you and members of your family receive monthly benefits when you retire or become disabled. Or, your survivors collect benefits when you die.

Here's An Important Point: Social Security is not intended to be your only source of income. Instead, it is meant to be used to supplement the pensions, insurance, savings, and other investments you will accumulate during your working years.

### Your Social Security Number

What's your Social Security number? You probably know it as well as you know your own phone number.

We use your Social Security number to track your earnings while you're working and to track your benefits once you're getting Social Security.

Almost everybody reading this booklet already has a Social Security number. Today, even most young children have a number because the Internal Revenue Service requires that a Social Security number be shown on tax returns for all dependents age one and older.

In fact, most parents apply for a Social Security number for their newborn child when they provide information for the child's birth certificate. That's because most states make applying for a Social Security number part of the birth registration process. This is taken care of before the mother and child leave the hospital.

In addition to its "official" uses, banks, insurance companies, and many other businesses and government agencies use the Social Security number for record-keeping purposes. Although we can't prevent others from asking for your number, you should know that if you give it to them they can not use it to get your Social Security records. We will not give out your records, without your written consent, unless the law requires or permits it.

The Social Security Administration is aware of concerns about the increasing uses of the Social Security number for identification and record-keeping purposes. That concern centers on the issue of your right to privacy and the increasing possibility that it could be invaded if all your records are kept under one number. If a business or other enterprise asks for your Social Security number, you can refuse to give it to them. However, that may mean doing without the purchase or service for which

your number was requested. Our primary message is this: be careful with your Social Security number and protect its privacy whenever possible.

If you need a Social Security number, if you lost your card and need another one, or if you need to change your name on your current card, just call or visit a Social Security office. We'll ask you to fill out a simple one-page application form. And we'll ask to see certain documents depending on your situation. (We need to see originals or certified copies.)

Some typical examples are:

A birth certificate and some form of identification for a new card;

Some form of identification for a replacement card;

A marriage certificate or divorce papers for a name change.

### The Taxes You Pay

Social Security taxes are used to pay for all Social Security benefits. In addition, a portion of your taxes is used to pay for part of your Medicare coverage. General tax revenues, not Social Security taxes, are used to finance the Supplemental Security Income (SSI) program.

### If You Work For Someone Else

You and your employer pay taxes for Social Security and Medicare. In 1994, you and your employer each pay 7.65 percent of your gross salary, up to \$60,600. The deduction might be labeled "FICA" on your pay slip. That stands for Federal Insurance Contributions Act, the law that authorized Social Security's payroll tax.

### If You Work For Yourself

If you're self-employed, you pay 15.3 percent of your taxable income into Social Security, up to \$60,600. However, there are special deductions you can take when you file your tax return that are intended to offset your tax rate.

For More Information: If you would like to learn more about self-employment tax rates, call or visit Social Security to ask for a free copy of the factsheet, *If You're Self-Employed* (Publication No. 05-10022).

### Extra Taxes For Medicare

If you make more than \$60,600 in 1994, you continue to pay the Medicare portion of the Social Security tax on the rest of your earnings. The Medicare portion of the tax is 1.45 percent for employers and employees each, and 2.9 percent for self-employed people.

### You Become Eligible For Social Security By Earning "Credits"

You must work and pay taxes into Social Security in order to get something out of it. (Of course, some people get benefits as a dependent or survivor on another person's Social Security record.)

As you work and pay taxes, you earn Social Security "credits." In 1994 you earn one credit for each \$620 in earnings you have--up to a maximum of four credits per year. (The amount of money needed to earn one credit goes up every year.)

Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits to be eligible for disability benefits or for their family members to be eligible for survivors benefits if they should die.

During your working lifetime, you probably will earn many more credits than you need to be eligible for Social Security. The fact that you earn these extra credits does not increase your eventual Social Security benefit. However, the income you earn while working will increase your benefit, as you will learn in the next two sections.

For More Information: If you want to learn more about the number of credits you would need to qualify for benefits, just call or visit Social Security to ask for a Personal Earnings and Benefit Estimate Statement (see the next section), or ask for a free copy of one of the following booklets: Retirement, (Publication No. 05-10035), Survivors (Publication No. 05-10084), or Disability (Publication No. 05-10029).

#### How Much Will You Get From Social Security?

The amount of your Social Security benefit is based on factors such as your date of birth, the type of benefit you are applying for, and most important, your earnings.

This booklet will explain in a general way how a Social Security benefit is figured. In the back of this booklet, you will find tables that give examples of Social Security benefits. But if you would like a detailed, personal estimate of your Social Security retirement, disability, and survivors benefits, all you have to do is call or visit Social Security and ask for it. We will send you a form you can use to get a Personal Earnings and Benefit Estimate Statement.

#### How Your Benefit Is Figured

In general, a Social Security benefit is based on your earnings averaged over your working lifetime. This is different from many private pension plans that are usually based on a relatively small number of years of earnings.

In its simplest terms, here's how your Social Security benefit is figured:

Step 1--We determine the number of years of earnings to use as a base.

Retirement benefits: For everybody born after 1928 and retiring in 1991 or later, which includes most people reading this booklet, that number is 35 years. Fewer years are used for people born in 1928 or earlier.

Disability and survivors benefits: We use most of the years of earnings posted to your record.

Step 2--We adjust these earnings for inflation.

Step 3--We determine your average adjusted monthly earnings based on the number of years figured in step 1.

Step 4--We multiply your average adjusted earnings by percentages in a formula that is specified by law.

That formula results in benefits that replace about 42 percent of a person's earnings. This applies to people who had average earnings during their working years. The percentage is lower for people in the upper income brackets and higher for people with low incomes. (That's because the Social Security benefit formula is weighted in favor of low-income workers who have less opportunity to save and invest during their working years.)

### If You Didn't Earn Enough Credits To Get Social Security

If you haven't worked long enough to get Social Security, or if you get only a small amount, you may be eligible for Supplemental Security Income, or SSI. For more information see page 22.

### Part 3--What You Need To Know When You Become Eligible For Social Security

#### How And When To Sign Up For Social Security

You can apply for benefits at any Social Security office. The easiest way to file a claim is to call our toll-free number ahead of time for an appointment. That number is: 1-800-772-1213.

For disability, survivors, and SSI benefits, you should apply as soon as you're eligible. (The rest of this chapter will help you decide if and when you are.) When signing up for retirement, we ask that you talk to a Social Security representative in the year before the year you plan to retire. That's because the rules are complicated, and it may be to your advantage to start your retirement benefits before you actually stop working.

#### What Records Will You Need?

To show that you are eligible for Social Security and to help us decide how much your benefits should be, there are certain documents we may ask you to provide. The ones you'll need depend on the circumstances of your claim. Here is a list of some of the documents you may need when you sign up for Social Security:

Your Social Security card (or a record of your number);

Your birth certificate;

Children's birth certificates (if they are applying);

Marriage certificate (if signing up on a spouse's record);

Your most recent W-2 form, or your tax return if you're self-employed.

This is just a partial list to help you get prepared. When you actually sign up for Social Security, we'll let you know if other documents are needed.

Here's An Important Point: If you don't have all the documents you need, don't delay signing up for Social Security. We'll help you get the information you need.

### Direct Deposit

You have a choice of how you receive your Social Security or SSI payments. Your benefit can either be deposited directly into your bank account or come to you in the mail. Most people have their benefits deposited in their bank account because it is safer and more convenient than receiving checks. It is also more efficient and saves money for the government.

If you choose direct deposit, have your checkbook or any papers that show your bank account number with you when you sign up for Social Security.

### Retirement Benefits

This section of the booklet provides a brief overview of Social Security retirement benefits. If you want to learn more about the program, call or visit Social Security to ask for a free copy of the booklet, Retirement (Publication No. 05-10035).

### Full Retirement

If you were born before 1938, you will be eligible for your full Social Security benefit at the age of 65.

However, beginning in the year 2000, the age at which full benefits are payable will increase in gradual steps from 65 to 67. This affects people born in 1938 and later. For example, if you were born in 1940, your full retirement age is 65 and 6 months. If you were born in 1950, your full retirement age is 66. Anybody born in 1960 or later will be eligible for full retirement benefits at 67.

### Reduced Benefits As Early As 62

No matter what your "full" retirement age is, you may start receiving benefits as early as 62. However, if you start your benefits early, they are reduced five-ninths of one percent for each month before your "full" retirement age. For example, if your full retirement age is 65 and you sign up for Social Security when you're 64, you will receive 93 1/3 percent of your full benefit. At 62, you would get 80 percent. (Note: The reduction will be greater in future years as the full retirement age increases.)

Here's An Important Point: There are disadvantages and advantages to taking your benefit before your full retirement age. The disadvantage is that your benefit is permanently reduced. The advantage is that you collect benefits for a longer period of time. Each person's situation is different, so make sure you check with Social Security before you decide to retire.

### What About Late Retirement?

Some people continue to work full time beyond their full retirement age--and they do not sign up for Social Security until later. This delay in retirement can increase your Social Security benefit in two ways:



Your extra income usually will increase your "average" earnings, and the higher your average earnings, the higher your Social Security benefit will be.

In addition, a special credit is given to people who delay retirement. This credit, which is a percentage added to your Social Security benefit, varies depending on your date of birth. For people turning 65 in 1994, the rate is 4.5 percent per year. That rate gradually increases in future years, until it reaches 8 percent per year for people turning 65 in 2008 or later.

### How Much Will You Get?

On Page 11, we explained how you can get a personalized estimate of the benefits you are due. In addition, there is a chart on Page 34 that gives examples of retirement benefit rates.

### Disability Benefits

This section of the booklet provides a brief overview of Social Security's disability program. It concentrates primarily on benefits for people who have worked and earned enough Social Security "credit" to qualify for disability on their own work record.

However, it is important to note that other kinds of disability benefits are available from Social Security, depending on your circumstances. These include:

- Widows and widowers with disabilities who are eligible for benefits on the record of a spouse;

- People with disabilities who have low income and few assets who might be eligible for SSI benefits;

- Children over age 18 with disabilities who might be eligible for Social Security benefits on the record of a parent, or children of any age with disabilities who might be eligible for SSI benefits on their own.

**For More Information:** Because disability is one of the most complicated of all Social Security programs, we recommend that you call or visit Social Security to ask for a free copy of the booklet, *Disability* (Publication No. 05-10029), for more in-depth information.

For information about benefits available to children with disabilities, see page 24 of this booklet, or call or visit Social Security and ask for a free copy of the publication, *Social Security and SSI Benefits For Children With Disabilities* (Publication No. 05-10026).

### What Do We Mean By "Disability"?

What is a "disability"? The dictionary defines it as "a physical or mental condition that prevents a person from leading a normal life." But Social Security's definition of disability is more specific and is generally related to your ability to work.

To qualify for disability from Social Security, you must have a physical or mental impairment that is expected to keep you from doing any "substantial" work for at least a year. Generally, monthly

earnings of \$500 or more are considered substantial. Or you must have a condition that is expected to result in your death.

This is a strict definition of disability. Unlike many private pension plans or even other government disability programs, Social Security is not intended for a temporary condition. In other words, there is no such thing as a "partial" disability payment from Social Security.

### What You Should Do If You Become Disabled

If you become disabled, you should file for disability benefits as soon as possible. You can do this by calling or visiting any Social Security office.

You can shorten the time it takes to process your claim if you have the following medical and vocational information when you apply:

- The names, addresses, and phone numbers of your doctors, and of hospitals, clinics, etc., where you have been treated; and

- A summary of where you worked in the last 15 years and the kind of work you did.

Here's An Important Point: Social Security's disability rules are different from those of other private plans or government agencies. So the fact that you qualify for disability from somebody else does not mean you will be eligible for Social Security. Further, the fact that you have a statement from your doctor indicating you are disabled does not mean you will be automatically eligible for Social Security disability payments.

### When Do Your Disability Benefits Start?

If we decide you are disabled, in most cases your monthly benefits will begin with the sixth full month of your disability. Here's a simple example of how this works:

John has a severe heart attack on March 15. He files for disability on March 29, and his claim is approved on May 30. September is the sixth full month that he is disabled, so his benefits begin that month. Social Security checks are usually paid on the third of the following month, so John's first check (the September check) will arrive October 3.

Here's An Important Point: Do not delay signing up for Social Security because of this "waiting period." By filing early, all the paperwork will be processed before your first check is due. There is no waiting period for disabled children's benefits or for SSI disability payments.

### How Much Will You Get?

On Page 11, we told you how you can get a personalized estimate of any benefits you are due. There is a chart on Page 35 that gives examples of disability benefit rates.

### Workers' Compensation

If you get workers' compensation or certain other government disability benefits, your Social Security disability benefit may be reduced. Or, your Social Security benefits may reduce your other

disability payments. The sum of all disability payments to you and your family cannot exceed 80 percent of your earnings averaged over a period of time shortly before you became disabled.

### How Long Will Your Disability Benefits Continue?

You will continue to get disability benefits unless your condition improves or you return to "substantial" work (see Page 16). We check your claim periodically to determine if this is the case. To help us decide, you may be asked to undergo a special test or examination that we will pay for.

### Incentives To Return To Work

There are special rules that help people who would like to return to work but are concerned about the effect this might have on their disability benefits. These rules offer special incentives that permit people to try working without the risk of a sudden loss of their monthly benefits and their Medicare coverage.

For More Information: If you would like to learn more about these special work incentives, call or visit Social Security to ask for a free copy of the booklet, *Working While Disabled... How Social Security Can Help* (Publication No. 05-10095).

### Benefits For Your Family

This section of the booklet provides a brief overview of benefits payable to members of your family when you are eligible for retirement or disability benefits.

### Who Can Get Benefits?

When you start collecting Social Security retirement or disability benefits, other members of your family might also be eligible for payments. For example, benefits can be paid to:

Your husband or wife if he or she is 62 or older (unless he or she collects a higher Social Security benefit on his or her own record);

Your husband or wife at any age if he or she is caring for your child (the child must be under 16 or disabled and receiving Social Security benefits);

Your children, if they are unmarried and:

--Under 18; or

--Under 19 but in elementary or secondary school as a full-time student; or

--18 or older and severely disabled (the disability must have started before age 22).

### How Much Can Family Members Get?

Usually, each family member will be eligible for a monthly benefit that is up to 50 percent of your retirement or disability rate. However, there is a limit to the amount of money that can be paid to a family on your Social Security record. The limit varies, but is generally equal to about 150 to 180

percent of your retirement benefit. (It may be less for disability benefits.) If the sum of the benefits payable on your account is greater than this family limit, then the benefits to the family members will be reduced proportionally. Your benefit will not be affected.

### Benefits For Divorced People

If you are divorced (even if you have remarried), your ex-spouse can be eligible for benefits on your record. In some situations, he or she could get benefits even if you're not receiving them. In order to qualify, your ex-spouse must:

- Have been married to you for at least 10 years;

- Be at least 62 years old;

- Be unmarried;

- Not be eligible for an equal or higher benefit on his or her own Social Security record, or on someone else's Social Security record.

Here's An Important Point: If your ex-spouse receives benefits on your account, it does not affect the amount of any benefits payable to you or your other family members.

### Survivors Benefits

This section of the booklet provides a brief overview of the benefits payable when a family breadwinner dies. For more information, call or visit Social Security to ask for a free copy of the booklet, Survivors (Publication No. 05-10084).

#### Who Can Receive Survivors Benefits?

When you die, certain members of your family may be eligible for benefits on your Social Security record if you had earned enough credits while you were working.

The family members who can collect benefits include:

- A widow or widower who is 60 or older;

- A widow or widower who is 50 or older and disabled;

- A widow or widower at any age if she or he is caring for a child under 16 or a disabled child who is receiving Social Security benefits;

- Children if they are unmarried and:

  - Under 18; or

  - Under 19 but in an elementary or secondary school as a full-time student; or

  - 18 or older and severely disabled (the disability must have started before age 22);

Your parents, if they were dependent on you for at least half of their support.

### Special One-Time Death Benefit

If you had enough credits, a special one-time payment of \$255 also will be made after your death. This benefit is paid only to your widow(er) or minor children.

### Benefits To Divorced Widows And Widowers

If you are divorced (even if you have remarried), your ex-spouse will be eligible for benefits on your record when you die. In order to qualify, your ex-spouse must:

Be at least 60 years old (or 50 if disabled) and have been married to you for at least 10 years;

Be any age if caring for a child who is eligible for benefits on your record;

Not be eligible for an equal or higher benefit on his or her own record;

Not be currently married, unless the remarriage occurred after 60--or 50 for disabled widows. (In cases of remarriage after the age of 60, your ex-spouse will be eligible for a widow's benefit on your record or a dependent's benefit on the record of his or her new spouse, whichever is higher.)

Here's An Important Point: If your ex-spouse receives benefits on your account, it does not affect the amount of any benefits payable to other survivors on your record.

### How Much Will Your Survivors Get?

The amount payable to your survivors is a percentage of your basic Social Security benefit--usually in a range from 75 percent to 100 percent each. However, there is a limit to the amount of money that can be paid each month to a family. The limit varies, but is generally equal to about 150 to 180 percent of your benefit rate. If the sum of the benefits payable to your surviving family members is greater than this limit, then the benefits to your family will be reduced proportionately.

The Personal Earnings and Benefit Estimate Statement, explained on Page 11, will provide you with a more accurate measurement of potential survivors benefits payable on your record. In addition, there is a chart on Page 36 that gives examples of survivors benefit rates.

### Retirement Benefits For Widow(er)s

If you are receiving widows or widowers (including divorced widows or widowers) benefits, you should remember that you can switch to your own retirement benefits (assuming you're eligible and your retirement rate is higher than your widow's rate) as early as age 62. In many cases, a widow(er) can begin receiving one benefit at a reduced rate and then switch to the other benefit at an unreduced rate at age 65. The rules are complicated and vary depending on your situation, so you should talk to a Social Security representative about the options available to you.

### Supplemental Security Income

This section of the booklet provides a brief overview of the Supplemental Security Income (SSI) program. For more information, call or visit Social Security to ask for a free copy of the booklet, SSI (Publication No. 05-11000).

### What Is Supplemental Security Income?

Supplemental Security Income is usually called "SSI" for short. Although this program is run by Social Security, the money to pay for SSI benefits does not come from Social Security taxes or Social Security trust funds. SSI payments are financed by the general revenue funds of the U.S. Treasury.

SSI makes monthly payments to people who have low incomes and few assets. In addition, to get SSI you must:

- Be living in the U.S. or the Northern Mariana Islands;

- Be a U.S. citizen or be living in the U.S. legally;

And you must be:

- 65 or older; or

- Blind; or

- Disabled.

Here's An Important Point: Children as well as adults can get SSI benefits because of blindness or disability. See Page 24 for more information.

### Income And Asset Limits For SSI

To get SSI, your income and the value of the things you own must be below certain limit.

By the term income, we mean the money you have coming in such as earnings, Social Security, or other government checks, pensions, etc. But we also mean "non-cash" items you receive such as the value of free food and shelter.

How much income you can have and still get SSI depends on whether you work or not--and in which state you live. Although there is a basic national SSI payment rate, some states add money to the national payment, so they have higher SSI rates and higher income limits than others. Check with your local Social Security office to find what the SSI rates and income limits are in your state.

Assets are the things you own such as property, cash, and bank accounts. But we don't count everything you own when we decide if you can get SSI. For example, we don't count your home and many of your personal belongings, and we usually don't count your car.

You may be able to get SSI if the things you own that we count are worth no more than:

\$2,000 for one person; or

\$3,000 for a couple.

Unlike the income category, these limits do not change from state to state.

### How Much Can You Get From SSI?

How much you will get from SSI depends on your other income and where you live. The basic monthly SSI check is the same in all states--\$446 for one person and \$669 for a couple. But some states add money to the basic rate, so you may get more if you live in one of these states. You will get less if you have other income or if someone helps pay for your food and shelter.

For more information about SSI rates in your state, contact your local Social Security office.

### SSI For People With Disabilities--Including Children

People with disabilities including children, can get SSI if their income and assets are below the limits discussed in the previous sections.

Most of the rules used to decide if a person has a condition severe enough to qualify for Social Security disability benefits also apply to SSI.

And as with Social Security, the SSI program has special plans designed to help people who want to try going back to work without the risk of suddenly losing their benefits or Medicaid coverage. To learn more about these special plans, ask for a copy of the booklet, Working While Disabled... How Social Security Can Help (Publication No. 05-10095).

Social Security has special guidelines for evaluating disability in children filing for SSI benefits. If you have a child with a disability, contact your local Social Security office to apply for SSI disability benefits.

For special information about benefits for children with disabilities, ask for a copy of the publication, Social Security and SSI Benefits For Children With Disabilities (Publication No. 05-10026).

### Other Help You Can Get

Most people who get SSI can also get food stamps and "Medicaid" assistance. Medicaid, which is a different program than Medicare, helps pay doctor and hospital bills. For more information about food stamps, ask Social Security for a copy of the factsheet Food Stamp Facts Publication No. 05-10101). For more information about Medicaid, contact your local social services office.

### Medicare

Medicare is our country's basic health insurance program for people 65 or older and many people with disabilities.

You should not confuse Medicare and Medicaid. Medicaid is a health insurance program for people

with low income and limited assets. It is usually run by state welfare or social service agencies. Some people qualify for one or the other; some qualify for both Medicare and Medicaid.

This booklet provides only a brief overview of the Medicare program. If you would like to learn more about Medicare, call or visit Social Security to ask for a free copy of the booklet, Medicare (Publication No. 05-10043).

## Medicare Has Two Parts

There are two parts to Medicare:

Hospital insurance (sometimes called "Part A") -- This helps pay for inpatient hospital care and certain follow-up services; and

Medical insurance (sometimes called "Part B") -- This helps pay for doctors' services, outpatient hospital care, and other medical services.

## Who Is Eligible For Hospital Insurance (Part A)?

Most people get hospital insurance when they turn 65. You qualify for it automatically if you are eligible for Social Security or Railroad Retirement benefits. Or you may qualify on a spouse's (including divorced spouse's) record. Others qualify because they are government employees not covered by Social Security who paid the Medicare part of the Social Security tax.

In addition, if you have been getting Social Security disability benefits for 24 months, you will qualify for hospital insurance.

Also, people who have permanent kidney failure that requires maintenance dialysis or a kidney replacement qualify for hospital insurance if they are insured or if they are the spouse or child of an insured worker.

Almost everybody qualifies for hospital insurance through one of the above methods. But if you don't and if you're 65 or older, you can buy hospital insurance just like you can buy other health insurance policies.

## Who Can Get Medical Insurance (Part B)?

Almost anyone who is eligible for hospital insurance can sign up for medical insurance. Unlike Part A, which was paid for by your taxes while you worked and is free when you're eligible for it, Part B is an optional program that generally costs \$41.10 per month. Almost everybody signs up for this part of Medicare.

## How Do You Get Medicare?

If you are already getting Social Security benefits when you turn 65, you will be automatically enrolled in Medicare (although you have the opportunity to turn down "Part B").

If you are disabled, you will be automatically enrolled in Medicare after you have been getting disability benefits for 24 months. (And you can turn down "Part B" if you want.)



If you turn 65 but plan to keep working and do not plan to sign up for Social Security at that time, you should call or visit a Social Security office so we can help you decide if you should sign up for Medicare only.

There are many other rules associated with Medicare enrollment including penalties for not enrolling in Part B when you're first eligible. Please contact your Social Security office for more details.

#### What Does Medicare Pay For?

Medicare hospital insurance helps pay for:

Inpatient hospital care;

Skilled nursing facility care;

Home health care;

Hospice care.

Medicare medical insurance helps pay for:

Doctors' services;

Outpatient hospital services;

Home health visits;

Diagnostic X-ray, laboratory, and other tests;

Necessary ambulance services; and

Other medical services and supplies.

#### What Medicare Does Not Pay For

Not all health services are covered by Medicare. For example, Medicare does not pay for:

Custodial care;

Dentures and routine dental care;

Eyeglasses, hearing aids, and examinations to prescribe and fit them;

Nursing home care (except skilled nursing care);

Prescription drugs; and

Routine physical checkups and related tests.

## Help For Low-Income Medicare Beneficiaries

If you get Medicare and have low income and few resources, your state may pay your Medicare premiums and, in some cases, other "out-of-pocket" Medicare expenses such as deductibles and coinsurance. Only your state can decide if you qualify. To find out if you do, contact your state or local welfare office or Medicaid agency. For more general information about the program, contact Social Security and ask for a copy of the leaflet, Medicare Savings For Qualified Beneficiaries (HCFA Publication No. 02184).

## Part 4--What You Need To Know After You Sign Up For Social Security

After you've signed up for retirement, disability, survivors, Medicare, or SSI benefits, your involvement with Social Security is just beginning. This section of the booklet provides a brief overview of a few things you need to know about your benefits and how they work.

When you start getting Social Security, we send you a booklet that explains your rights and responsibilities. In addition, we produce a variety of publications that explain other facts you need to know about Social Security and SSI. If you need more information, call or visit Social Security to tell us your situation. There is probably a pamphlet or factsheet we can send you that will answer your questions.

## What You Need To Report To Us

People who get Social Security should let us know when something happens that might affect their benefits. Here are some examples:

If they move;

If they get married or divorced;

If their name changes;

If their income or earnings change;

If a child is born or adopted;

If a beneficiary is imprisoned;

If they leave the United States;

If a beneficiary dies.

## If You Disagree With A Decision We Make

Whenever we make a decision that affects your eligibility for Social Security or SSI benefits, we send you a letter that explains our decision. If you disagree with our decision, you have the right to appeal it. In other words, you can ask us to review your case. If our decision was wrong, we will change it.

**For More Information:** To learn more about the appeals process, call or visit any Social Security office to ask for a copy of the factsheet called *The Appeals Process* (Publication No. 05-10041). In addition, you have the right to be represented by a qualified person of your choice when dealing with Social Security. For more information, ask us for a copy of the factsheet, *Social Security And Your Right To Representation* (Publication No. 05-10075).

### How Your Earnings Affect Your Benefits

There is a provision in the law that limits the amount of money you can earn and still collect all your Social Security benefits. This provision affects people under the age of 70 who collect Social Security retirement, dependents, or survivors benefits. (Earnings in or after the month you reach age 70 won't affect your Social Security benefits.) People who work and collect disability or SSI benefits have different earnings requirements and should report all their income to Social Security.

If you are under age 65, you can earn up to \$8,040 in 1994 and still collect all your Social Security benefits.

However, for every \$2 you earn over \$8,040, \$1 will be withheld from your Social Security benefits.

If you are age 65 through 69, you can earn up to \$11,160 in 1994 and still collect all your Social Security benefits.

However, for every \$3 you earn over \$11,160, \$1 will be withheld from your Social Security benefits.

We count only the earnings you make from a job or your net profit if you're self-employed. This includes compensation such as bonuses, commissions, and vacation pay. It does not include such items as pensions, annuities, investment income, interest, Social Security, veterans, or other government benefits.

**For More Information:** If you would like to learn more about the Social Security earnings limits and how they affect you, call or visit any Social Security office to ask for a free copy of *How Work Affects Your Social Security Benefits* (Publication No. 05-10069).

### Your Benefits May Be Taxable

Some people who get Social Security will have to pay taxes on their benefits. You will be affected only if you have substantial income in addition to your Social Security benefits.

If you file a Federal tax return as an "individual," and your combined income\* is between \$25,000 and \$34,000, you may have to pay taxes on 50 percent of your Social Security benefits. If your combined income\* is above \$34,000, 85 percent of your Social Security benefits is subject to income tax.

If you file a joint return, you may have to pay taxes on 50 percent of your benefits if you and your spouse have a combined income\* that is between \$32,000 and \$44,000. If your combined income\* is more than \$44,000, 85 percent of your Social Security benefits is subject to income tax.

If you are a member of a couple and file a separate return, you probably will pay taxes on your benefits.

"Combined income" means your and your spouse's adjusted gross income (as reported on your Form 1040) plus nontaxable interest plus one-half of your Social Security benefits.

**For More Information:** If you would like more information about the taxation of your Social Security benefits, there are some IRS publications that will help you. Call or visit IRS to ask for a copy of Publication 554, Tax Information for Older Americans, and Publication 915, Social Security Benefits And Equivalent Railroad Retirement Benefits.

### When Somebody Needs Help Managing Benefits

Sometimes, people who receive Social Security or SSI are not able to handle their own financial affairs. In those cases, and after a careful investigation, we appoint a relative, a friend, or another interested party to handle their Social Security matters. We call that person a "representative payee." All Social Security or SSI benefits due are made payable in the representative payee's name on behalf of the beneficiary.

**Here's An Important Point:** If you have "power of attorney" for someone, that does not automatically qualify you to be his or her representative payee.

If you are a representative payee, you have important responsibilities.

You must use the Social Security or SSI benefits for the personal care and well-being of the beneficiary. Any excess funds must be saved on the beneficiary's behalf.

You must keep Social Security informed of any events that might affect the beneficiary's eligibility for benefits. For example, you should tell us if the beneficiary moves or gets a job. And, of course, you should tell us when the beneficiary dies.

You must file a periodic accounting report with Social Security that shows how you spent or saved the benefits you were paid.

**For More Information:** If you would like to learn more about receiving benefits on behalf of another individual call or visit any Social Security office to ask for a copy of the brochure, A Guide For Representative Payees (Publication No. 05-10076).

### Other Booklets Available

We said right up front that this booklet was intended to provide a general overview of Social Security programs and how they might affect you. Throughout this booklet, we referred you to other publications whenever the situation required more information or a more detailed explanation.

The Social Security Administration and the Health Care Financing Administration (the Medicare people) produce many publications and factsheets designed to help explain these programs to you. Here is a list of some you may find helpful.

Retirement (Publication No. 05-10035)--A guide to Social Security retirement benefits

Disability (Publication No. 05-10029)--A guide to Social Security disability benefits

Survivors (Publication No. 05-10084)--A guide to Social Security survivors benefits

Medicare (Publication No. 05-10043)--A guide to the Medicare program

SSI (Publication No. 05-11000)--A guide to the Supplemental Security Income program

Social Security And SSI Benefits For Children With Disabilities (Publication No. 05-10026)--An overview of benefits available to children

A Guide To Social Security And SSI Disability Benefits For People With HIV Infection (Publication No. 05-10020)--An explanation of benefits for people with the AIDS virus

Financing Social Security (Publication No. 05-10094)--A factsheet that provides an overview of Social Security's trust fund operations

These and other publications can be obtained free of charge at any Social Security office or by calling our toll-free number: 1-800-772-1213.

#### Fingertip Facts

Here's a summary of important Social Security information

#### 1994 Social Security and Medicare Taxes

--You and your employer each pay 7.65 percent up to \$60,600

--If you're self-employed, you pay 15.3 percent up to \$60,600

#### Extra Taxes For Medicare In 1994

--You and your employer each pay 1.45 percent on all wages above \$60,000

--If you're self-employed, you pay 2.9 percent on all net earnings above \$60,600

#### Work Credits In 1994

--For each \$620 you earn, you receive one Social Security "credit" up to four per year

--Most people need 40 credits to be eligible for retirement benefits

--Younger people need fewer credits to qualify for disability and survivors benefits

#### Average 1994 Social Security Benefits

--retired individual: \$674

--retired couple: \$1,140

--disabled individual: \$641

--disabled individual with a spouse and child: \$1,092

--widow(er): \$631

--young widow(er) with 2 children: \$1,316

#### 1994 Earnings Limits

--If you're under 65, you can earn up to \$8,040 with no reduction in benefits; for every \$2 you earn over \$8,040, \$1 is withheld from benefits

--If you're 65-69, you can earn up to \$11,160 with no reduction in benefits; for every \$3 you earn over \$11,160, \$1 is withheld from benefits

--If you're 70 or older, there is no limit on your earnings

#### 1994 SSI Payment Rates

(does not include state supplement, if any)

--\$446 for an individual

--\$669 for a couple

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