

Social Security Benefits FAQ

As a working American, you're likely aware of a certain line item that appears on your leave and earnings statement labeled OASDI. This stands for Old-Age, Survivors, and Disability Insurance, which is the official name for what is more commonly known as Social Security.

While you may be familiar with this automatic deduction from your income, you may wonder where it goes and what exactly it pays for, especially when it could be many years before you ever see that money again. The details of the Social Security program, including how it works, who is eligible, and when you can begin claiming benefits can be the source of much confusion for many of us. Continue reading for answers to some of the most common questions people have.

What is Social Security?

Social Security is an umbrella term for several federal benefit programs, each of which is primarily funded by mandatory payroll taxes collected from working Americans and distributed to eligible recipients.

Simply put, it's a sort of insurance plan or "trust fund" that you pay into throughout your working years for the purpose of supplementing income during your retirement years. The benefit amount you or your family receives depends on several factors.

What are the benefits?

There are four main Social Security benefit categories:

- **Retirement:** This is what usually comes to mind when we think about Social Security. It's essentially a monthly "paycheck" you receive in retirement.
- **Spousal:** The spouse (or eligible ex-spouse) of a retired worker may be able to receive up to half of a current or former spouse's benefits. In general, this is for spouses who don't have enough of their own work history to qualify for retirement benefits, or whose work history warrants a lower benefit amount.
- **Survivor:** This benefit provides payouts to certain family members of a deceased worker. Eligibility and level of benefits are determined by the worker's age and salary (or monthly benefit amount) at death, as well as the survivors' ages and relation to the deceased.
- **Disability:** Social Security Disability Insurance (SSDI) provides monthly payments to you (and sometimes certain family members) if you become unable to work due to a severe disability or medical condition that's expected to last at least one year or result in death.

How does Social Security work?

The Social Security Administration (SSA) explains that the program exists to provide partial replacement income for qualified retirees, their spouses (and sometimes their children), those whose spouse or qualifying ex-spouse has died, and the disabled.

How is eligibility determined?

To be eligible for Social Security benefits, you must earn enough credits during your working years. Typically, you must have 40 credits (up to four per year) to qualify for Social Security, though if you die or become disabled at a young age, you or your family may become eligible with fewer credits.

When can/should I begin claiming benefits?

You can begin collecting Social Security benefits as early as age 62, although the program recommends waiting until you reach full retirement age (FRA), which is between age 65 and 67 depending on your birth year. This is because your benefit amount increases the longer you work and any decision made before FRA permanently reduces all future benefits, including spousal benefits.

Once FRA is reached, your benefit grows by 8% annually until you begin claiming Social Security, or until age 70. At age 70, your benefit amount no longer increases, even if you continue working.

How much will I get?

Benefit amounts are calculated using a formula based on the average of your 35 highest-indexed earning years, adjusted for inflation. The amount also depends on your age at the time you begin claiming benefits. To get an idea, use the SSA's benefits estimator listed in the resources section.

What if I continue working?

You can receive benefits even if you choose to continue working. Just keep in mind that if you haven't yet reached FRA and you earn more than a certain amount, your monthly benefits will be temporarily reduced. Once you reach FRA, this reduction is lifted, and your benefits will be increased to compensate for what was lost.

How do spousal benefits work?

You may claim Social Security benefits based on your own work record, if you have enough credits, or potentially claim your current or ex-spouse's benefits if their amount is larger than what you're entitled to. If you're eligible for both your own and your spouse's retirement benefits, you'll receive your own benefits first.

But if your spousal benefits are higher than your own retirement benefit, you'll get a combination of the two that equals the higher amount. Even if you have never paid into Social Security, you may still be eligible in certain situations.

How do I apply for benefits?

When you're ready to apply for Social Security benefits, you must fill out an application online or at your local SSA office. A government representative will verify the information in your application to determine if you qualify. If you do, you'll begin receiving monthly checks.

Resources

There are many more aspects and nuances of Social Security and its benefits beyond this basic overview. In addition, each person's situation is unique and the decision to begin drawing Social Security is personal and involves many considerations.

We therefore recommend that you educate yourself as much as possible, so we've compiled a few helpful resources* to help you get started.

Planners and Calculators

Benefits Calculators: ssa.gov/benefits/calculators

Retirement Estimator: ssa.gov/benefits/retirement/estimator.html

Websites

Social Security Administration: ssa.gov

The Institute for Financial Education:

A 501(c)(3) non-profit organization dedicated to providing financial literacy directly to the public.

ifeonline.org | myife.org

Employee Assistance Program (EAP)

In addition to the resources listed above, your EAP is here to help as you plan for retirement. Consultants are available 24 hours a day to offer resources, information, and expert guidance.

The EAP is a voluntary and confidential employee benefit available to eligible federal employees at no cost.

24 HOURS A DAY

800-222-0364

TTY: 888-262-7848

foh4you.com

*Listed resources are suggestions only; FOH does not endorse any content or material provided. Links accurate as of October 2021.