

# Disabled & Unable to Work: Two Potential Paths

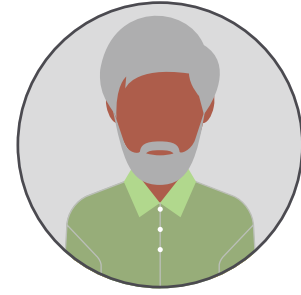
Individuals over the age of 62, but under retirement age, who become disabled and unable to work have a lot to consider when deciding whether to collect Social Security early retirement (SSER) or apply for Social Security Disability Insurance (SSDI) benefits—including potential impact on retirement benefits and Medicare eligibility. We've created this resource to follow the paths of two claimants, Jane and Steve; one chooses to apply for SSDI, while the other opts to collect early retirement benefits. While every claimant's experience with SSER/SSDI benefits is different, Jane and Steve's paths represent fairly typical outcomes.

## Onset of illness or injury



**Jane, aged 61**

Jane is in a motor vehicle accident while on a weekend getaway. She severely injures her back to the point where she can't walk, sit, or stand for the amount of time that her job requires. She goes to her doctor, and after receiving several tests and imaging scans, Jane's doctor declares her unable to work indefinitely.



**Steve, aged 62**

Steve is experiencing frequent migraines. They begin to impact his ability to focus on simple tasks or to leave his home, thus rendering him unable to complete his normal job functions. He goes to his doctor and is deemed out of work indefinitely.

## Long-term disability (LTD) insurance coverage begins

### Jane receives LTD benefits.

While Jane was working, she had elected to pay for LTD benefits through her employer, so she will continue to receive income while she's unable to work per the terms of her policy.



### Steve receives LTD benefits.

Steve was also sure to pay into the optional LTD benefit through his employer, so he will continue to receive income for up to two years, per his LTD policy.



## Applying for benefits



### Retirement vs. disability benefits

SSER pays a percentage of a claimant's full Social Security benefit. It's only a percentage because the claimant is choosing to collect benefits before reaching full retirement age. This reduced amount continues for as long as a claimant receives Social Security. Receiving an SSDI award will protect your retirement earnings, meaning that SSDI beneficiaries receive the full amount of their retirement benefits when they reach normal retirement age. Therefore the monthly benefit amounts, and the corresponding carrier offsets, may be significantly less for claimants who receive SSER than for those who receive SSDI.

### Jane applies for SSDI benefits.

After being out of work and receiving LTD benefits for several months, Jane's LTD carrier referred her to an experienced SSDI representative who could walk her through the entire SSDI application process. Jane could continue receiving her full monthly LTD benefit while applying for SSDI benefits.

Soon after the accident, Jane turned 62 and could have applied for SSER benefits, but she chose not to do so.

### Jane is awarded SSDI benefits.

Five months after applying for SSDI, Jane is awarded at the Initial level due to her advanced age (she is only 4-6 years away from full retirement age) and the medical evidence provided by her doctors.

Jane will receive benefits from Social Security that will likely continue even after her LTD benefits end. Being approved for SSDI allows her to stop working while protecting her full retirement benefit for when she reaches normal retirement age. Once Jane reaches full retirement age, her SSDI benefit will seamlessly transition to Social Security Retirement with no changes to the amount she receives.

### Medicare options available

As long as Jane continues to receive SSDI benefits, she will become eligible for Medicare coverage two years from the date she became entitled to SSDI benefits. This provides Jane years of coverage on Medicare that would otherwise not have been available to her until age 65.



Steve must continue paying for private health insurance because he won't be eligible for Medicare until he reaches 65 years of age (which is still approximately one year away).

### Steve applies for SSER benefits.

After talking to his family, Steve informs the disability examiner from his LTD carrier that he intends to apply for SSER benefits. Steve begins receiving SSER benefits the following month; but because he has elected to retire before his normal retirement age, based on Steve's age, his benefit amount is 75% of his full retirement benefit.

### Steve's LTD benefits end.

Two years after applying for SSER, at age 64, Steve's LTD benefits end due to a self-reported limitation in his policy, as many claims for self-reported conditions like migraines have a two-year limitation. After this, Steve's only income is his monthly SSER payments.

## Returning to work

### Jane uses Ticket to Work.

Jane has been receiving Medicare coverage for approximately one year while continuing to collect her monthly SSDI benefit. Thanks to the ongoing medical treatments she has received during this time, Jane's condition has improved and, now 64 years old, she would like to re-enter the workforce.

Jane utilized the free employment services provided by Social Security's Ticket to Work program and was able to find a job where she could thrive despite any lingering physical limitations that may still exist from her accident.

### Steve considers returning to work.

As he no longer has LTD income and his only ongoing income is SSER, Steve is hopeful to attempt to return to work to raise his income and obtain health insurance through an employer. It is unclear if Steve will be medically able to return to work successfully.

Because Steve was receiving SSER benefits, if he returns to work, his SSER benefits will likely be offset/reduced by the Social Security Administration (SSA). If a claimant is under full retirement age for an entire year, SSA deducts \$1 from his/her benefit payments for every \$2 he/she earns above the annual earnings limit. For 2020, that limit is \$18,240. Additionally, Steve will need to work for another three years before seeking his full retirement benefit amount from Social Security.



Jane and Steve's stories may not be identical to what all claimants experience when they apply for SSDI or SSER, but they do represent common claim outcomes. Applying for SSDI can be a long and potentially frustrating process, but being awarded SSDI provides claimants with income for an extended period of time during which they are unable to work. SSDI beneficiaries also become eligible for Medicare coverage two years from their disability entitlement date, regardless of their age. Both of these factors could drastically impact a claimant's family, financial situation, and recovery, thus making the decision to apply for SSDI benefits generally an advantageous one.

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