

8 Things You Need to Know About SSDI Award Calculations

Individuals applying for Social Security disability insurance (SSDI) benefits come from a variety of backgrounds, span all ages between 18-65, and have unique medical histories. Therefore, the Social Security Administration (SSA) maintains a strict set of parameters for calculating SSDI benefit amounts for claimants in an effort to provide everyone who qualifies for SSDI with the benefits they deserve. We have created this resource to help you better understand the many factors that may influence benefit calculations, as well as how to help explain the process to clients who are interested in applying for SSDI.

1

Multiple factors are considered when determining a claimant's SSDI benefit amount.

When calculating how much an individual will receive in SSDI benefits, SSA uses an algorithm that considers multiple factors, including the claimant's age, the number of years worked, how much the claimant has paid into Social Security over time, and their annual earnings. Older individuals may have a more extensive work history, and thus, may be more likely to receive a higher benefit amount due to the many years of earnings on their record. For example, if a 30 year-old individual becomes disabled after working for eight years — three of them on a part-time basis, SSA would only have five years of full-time earnings to factor into the benefit calculations.

2

Other types of benefits may offset a claimant's SSDI benefit amount.

It is important that claimants keep their disability insurance carrier and SSDI representative updated about any other types of benefits to which they are entitled while they are applying for SSDI. Having this information on record is vital because SSDI benefits may be reduced when a claimant is receiving periodic or lump sum benefits from other sources (eg. worker's compensation, state disability, or any other Social Security benefits such as widow's or early retirement benefits). A claimant can continue to receive multiple benefit types, but the combined amount of the other benefits and SSDI cannot exceed 80% of their average current earnings. It is crucial that other benefit information is accurately included in a claimant's SSDI application so there are no delays or miscalculations regarding their SSDI benefit payments.

3

A claimant's benefit amount could increase over time.

After SSA has finished their calculations and SSDI benefit payments have begun, a claimant could potentially see that benefit amount increase. One of the most common reasons for a benefit increase is a cost-of-living adjustment (COLA), which is an annual increase typically issued by SSA in response to increases in the Consumer Price Index. COLA amounts have ranged from 0% to as much as 14.3%, depending on a variety of economic factors; the 2021 COLA was recently announced at 1.3%. SSDI benefits could also be increased due to an earnings adjustment after a claimant files their income tax return. Social Security may use this information to recalculate SSDI benefits if an individual's income has changed; these adjustments are typically minimal and do not happen every year.

4

Individuals who apply for SSDI may be awarded benefits for a "closed period."

Many people assume that individuals who apply for SSDI will be out of work permanently due to their disability. While that is unfortunately true in some cases, many claimants rely on SSDI benefits for a shorter period of time while they recover from an illness or injury that renders them unable to work. SSA determines that such individuals have met Social Security's definition of disability for a specific length of time — with a definitive disability onset date and a specific date that the claimant was no longer disabled. A claimant may be entitled to a closed period award if medical evidence shows that he or she was disabled for at least 12 consecutive months and met all other requirements to be considered disabled under Social Security's rules.

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A claimant's benefits must be based on his or her own earnings record.

While it is fairly common for claimants who are widows or widowers to wonder if their SSDI benefits can be calculated based on their spouse's earnings record, SSDI benefit calculations are made based strictly on a claimant's earnings record. Surviving spouses and surviving divorced spouses that qualify may, however, apply for widow(er)'s benefits; these benefits are entirely separate from SSDI and become payable once an individual turns 60 years old. SSDI beneficiaries are an exception to the rule, as they may qualify for disabled widow(er)'s benefits at age 50. For this reason, it's important for any individuals age 50 or older to note in their SSDI application if their spouse has passed away, as this could impact what benefits they can receive once their SSDI claim is approved.

6

Dependent benefits may be payable in addition to a monthly SSDI benefit.

SSDI beneficiaries with dependents (children under age 18, children ages 18 or 19 who are still in high school, children who became disabled prior to age 22, or spouses over the age of 62 who are not working) may be entitled to additional monetary compensation from SSA in the form of dependent benefits. Dependent benefits are paid uniquely for each dependent so long as a claimant meets SSA's disability requirements, and dependent(s) continues to meet the dependency and age requirements. All claimants — regardless of the number of eligible dependents — are subject to a "Family Maximum," as SSA caps the benefit amount a claimant can receive at 150% of their full monthly benefit. It is important to note that claimants must apply for these benefits separately once SSDI benefits are approved and representatives are not authorized to apply on a claimant's behalf.

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SSDI benefits are calculated as if a claimant has already reached full retirement age.

The formula SSA uses to calculate an individual's SSDI benefit amount ultimately results in the same benefit amount that the claimant would receive upon reaching full retirement age. Generally, if individuals choose to begin collecting their retirement benefits early, the benefit amount would be reduced, but this is not the case for disabled individuals. SSDI benefits are calculated based on an individual's earnings record and are not reduced due to a claimant's age.

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Claimants can review their earnings record at any time.

Because an individual's earnings record is the single most important factor in calculating his or her monthly SSDI benefit amount, claimants may be pleased to know that there are multiple ways for them to access this information. A claimant's earnings record is included in their Social Security statement, which is mailed yearly to individuals over the age of 60 — but SSA's most highly recommended means of accessing one's statement is through an online profile through the Social Security website. Anyone can create a "my Social Security" account, which will allow them to review their earnings as often as they would like. SSA also has an online benefit calculator where anyone can enter their salary information to automatically receive a record of their earnings, as well as an estimate of future earnings.

**Have questions?
We can help.**

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