

Social Security

Understanding
The Benefits



www.ssa.gov

Why We Hope You Will Read This Booklet

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 someone 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. It also provides an overview of Medicare and Supplemental Security Income (SSI) benefits.

The information in this booklet is not intended to cover all provisions of the law. For specific information about your case, contact a Social Security office. Other booklets are available that explain all of the Social Security programs in more detail. And we have prepared a series of leaflets and factsheets that provide information about some of the finer points of Social Security. Page 37 lists some of these brochures.

Social Security's
Internet Website: *www.ssa.gov*
Toll-Free Number
1-800-772-1213
TTY Number
1-800-325-0778

What's Inside

Part 1—Your Investment

In Social Security	6
Social Security: A Simple Concept	6
Social Security Is More Than Retirement	6
A Foundation For Your Financial Future	7
Where Your Social Security Tax Dollars Go	7
Visit Our Internet Website	8
Call Our 800 Number	9

Part 2—What You Need To Know

About Social Security While You're Still Working	9
Your Social Security Number	9
You Become Eligible For Social Security By Earning "Credits"	10
The Social Security Taxes You Pay	11
How Much Will You Get From Social Security?	12

Part 3—Benefits You May Be Eligible

To Receive Before You Retire.	13
Disability Benefits.	13
What Do We Mean By "Disability"?	13
How To Speed Up Your Disability Claim	14
When Do Your Disability Benefits Start?	15
Worker's Compensation And Other Disability Payments	15
How Long Will Your Disability Benefits Continue?	15
Incentives To Return To Work	16
Benefits For Your Family	16
Who Can Get Benefits?	16
How Much Can Family Members Get?	17
Benefits For Divorced Spouses	17

Survivors Benefits	17
Who Can Receive Survivors Benefits?	18
Special One-Time Death Benefit	18
Benefits To Divorced Widow(er)s	18
How Much Will Your Survivors Get?	19
Retirement Benefits For Widow(er)s	19
<hr/>	
Part 4—Choosing When To Retire	20
Full Retirement	20
Reduced Benefits As Early As Age 62	21
What About Late Retirement?	22
Working And Receiving Benefits	
At The Same Time	22
Your Benefits May Be Taxable	23
<hr/>	
Part 5—When You’re Ready	
To File For Benefits	25
If You Haven’t Earned Enough	
Credits To Get Social Security	25
What Records Will You Need?	25
Direct Deposit	26
<hr/>	
Part 6—Other Benefits You May Be	
Eligible To Receive	27
Supplemental Security Income	27
What Is Supplemental Security Income?	27
Income And Asset Limits For SSI	28
How Much Can You Get From SSI?	28
SSI For People With Disabilities —	
Including Children	29
Other Help You Can Get	29
Medicare	29
Medicare Has Two Parts	30
Who Is Eligible For Hospital Insurance (Part A)?	30
Who Can Get Medical Insurance (Part B)?	30

How Do You Get Medicare?	31
Help For Low-Income Medicare Beneficiaries.	31
<hr/>	
Part 7—What You Need To Know After	
You Sign Up For Social Security	32
If You Disagree With A Decision We Make	32
When Somebody Needs Help	
Managing Benefits	32
<hr/>	
Other Booklets Available	33
<hr/>	
Some Facts About Social Security	34
2003 Social Security and Medicare Taxes	34
Extra Taxes For Medicare In 2003	34
Work Credits In 2003	34
Average 2003 Monthly Social Security Benefits	34
2003 Earnings Limits.	34
2003 SSI Payment Rates	
(does not include state supplement, if any).	35

Part 1—Your Investment In Social Security

Social Security: A Simple Concept

Social Security is based on a simple concept. When you work, you pay taxes into the Social Security system, and when you retire or you become disabled, you, your spouse and your dependent children receive monthly benefits that are based on your earnings. And, your survivors collect benefits when you die.

Social Security Is More Than Retirement

Most people think of Social Security as a retirement program. Although it's true that most of our beneficiaries (about 61 percent) receive retirement benefits, many others get Social Security because they are:

- disabled;
- a spouse or a dependent of someone who gets Social Security; or
- a widow, widower or child of someone who has died.

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

The Social Security taxes you and other workers pay into the system are used to pay for Social Security benefits. In addition, a portion of those taxes are used to pay for part of your Medicare coverage. The Supplemental Security Income program is financed by general tax revenues, not Social Security taxes.

Remember! Social Security is more than a retirement program. It provides you and your family with an insurance package of disability, retirement and survivors protection.

A Foundation For Your Financial Future

Social Security benefits are not intended to meet all of your financial needs. When you retire, you'll probably need other income, such as savings or a pension. Think of Social Security as a foundation upon which you can build your financial future.

This booklet explains the plans and decisions you need to make now to ensure a brighter and more secure financial future for you and your family.

Remember! Social Security is an important part of your financial planning and helps you maintain your standard of living.

Where Your Social Security Tax Dollars Go

Out of every dollar you pay in Social Security taxes:

- 85 cents goes to a trust fund that pays monthly benefits to retirees and their families and to about eight million widows, widowers and children of workers who have died; and
- 15 cents goes to a trust fund that pays benefits to people with disabilities and their families.

From these trust funds, Social Security also pays the costs of administering the Social Security programs. Those costs are **less than one cent** of each Social Security tax dollar collected.

The entire amount of taxes you pay for Medicare (1.45 percent of your earnings) goes to a trust fund that pays for some of the costs of hospital and related care of all Medicare beneficiaries. Medicare is administered by the Center for Medicare and Medicaid Services.

Visit Our Internet Website

If you have access to a computer, we invite you to visit *Social Security Online* at www.ssa.gov for a variety of services including:

- publications you can download on all aspects of Social Security programs;
- forms you can use to request various services, such as a *Social Security Statement*, a replacement Social Security or Medicare card or benefit verification;
- *eNews*, a newsletter you can subscribe to and receive at no charge to help you keep up with the latest changes in Social Security programs; and
- planners with information on retirement, disability and survivors benefits to help people of all ages plan their future financial security using their Social Security benefits as a base.
- online retirement and spouse benefit applications that allow you to file for Social Security benefits from the comfort of your home.

If you don't have a computer, many libraries, churches and nonprofit organizations provide Internet access services to the public. Call your local library for more information.

Call Our 800 Number

You can get recorded information 24 hours a day, including weekends and holidays, by calling our toll-free number, **1-800-772-1213**. You can speak to a service representative between 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month, so, if your business can wait, it's best to call at other times. Have your Social Security number handy when you call.

People who are deaf or hard of hearing may call our toll-free TTY number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

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

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

Your Social Security Number

Your first, and most continuing, link with Social Security is your Social Security number. You'll need it to get a job and to pay taxes. Without it, you won't be able to pay into the Social Security program and you won't be able to collect Social Security benefits. 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.

You'll need to show your number to your employer, any financial institution that pays you interest and to the Internal Revenue Service. And many other businesses and government agencies use the Social Security number for recordkeeping purposes. Although we can't prevent others from asking for your number, you should know that if you give it to them they **cannot** use it to get your Social Security records. We will not give information from your records without your written consent, unless the law requires or permits it.

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, visit our website at *www.ssa.gov* for an application or call or visit a Social Security office. We'll ask you to fill out a simple one-page form and ask to see certain documents depending on your situation. (We need to see originals or certified copies.)

These are typical examples:

- a birth certificate and some form of identification for a new card;
- some form of identification for a replacement card; or
- a marriage certificate or divorce papers for a name change.

You Become Eligible For Social Security By Earning “Credits”

You must work and pay taxes into Social Security in order to get benefits. (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 the year 2003, you earn one credit for each \$890 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 family members to be eligible for survivors benefits if the worker dies.

During your working lifetime, you probably will earn more credits than you need to be eligible for Social Security. These extra credits do not increase your eventual Social Security benefit. However, the income you earn may 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, call us or visit our website to get a copy of one of the following booklets:

Retirement Benefits (Publication No. 05-10035),

Survivors Benefits (Publication No. 05-10084) or

Disability Benefits (Publication No. 05-10029).

The Social Security Taxes You Pay

If You Work For Someone Else

You and your employer pay taxes for Social Security and Medicare. In the year 2003, you and your employer each pay 7.65 percent of your gross salary (6.2 percent for Social Security and 1.45 percent for Medicare), up to \$87,000. You and your employer each continue to pay 1.45 percent for Medicare if your wages exceed \$87,000. The deduction may be labeled “FICA” on your pay slip. FICA is the 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 \$87,000 and continue to pay 2.90 percent for Medicare for all taxable income above \$87,000. You can take special deductions when you file your income tax that are intended to offset your tax rate.

For More Information: To learn more about self-employment tax rates, call or visit Social Security to ask for a copy of the factsheet, *If You’re Self-Employed* (Publication No. 05-10022). Or go to our website at www.ssa.gov to print a copy.

Extra Taxes For Medicare

If you earn more than \$87,000 in the year 2003, you continue to pay the Medicare portion of the Social Security tax on the rest of your earnings. The Medicare tax is 1.45 percent for both employers and employees, and 2.9 percent for self-employed persons.

Remember! *The contributions you and your employer make pay for Social Security benefits.*

How Much Will You Get From Social Security?

The amount of your Social Security benefit is based on your date of birth, the type of benefit you apply for and, most importantly, your lifetime earnings. And, if you're age 25 or older and not already receiving Social Security benefits on your own earnings record, each year we will send you a *Social Security Statement* that displays your earnings record and provides estimates of the retirement, disability and survivors benefits you and your family may be eligible to receive now and in the future. You should receive your *Statement* about three months before your birthday.

You also can request a *Social Security Statement* by visiting our website at www.ssa.gov/mystatement, calling—**1-800-772-1213** or contacting a local Social Security office.

When you receive your *Statement*, be sure to check your earnings record carefully. You share responsibility with your employer for making sure all of your earnings have been reported and that they are accurate. That's important because your benefits will be based on our record of your lifetime earnings. We hope you'll use your *Statement* in planning your financial future. And when you visit our website at www.ssa.gov be sure to click on the *Benefit Planners* to get more help in planning for a comfortable retirement. You'll be able to estimate your benefits based on different assumptions about your future earnings or when you plan to stop working.

You'll also learn more about disability and survivors benefits and what they could mean to you and your family.

Remember! *Your Social Security benefit amount depends on how much you earned and it goes up with the cost of living.*

Part 3—Benefits You May Be Eligible To Receive Before You Retire

Disability Benefits

This section of the booklet describes Social Security's disability program. It focuses on benefits for people who have earned enough Social Security "credits" to qualify for disability on their own work record.

Other kinds of disability benefits are available from Social Security, depending on your circumstances. For example:

- Widows and widowers with disabilities may be eligible for benefits on the record of a spouse;
- People with disabilities who have low income and few assets may be eligible for SSI benefits; or
- Children over age 18 with disabilities may be eligible for Social Security benefits on the record of a parent, or
- Children of any age with disabilities may be eligible for SSI benefits on their own.

What Do We Mean By "Disability"?

The dictionary defines disability as "a physical or mental condition that prevents a person from leading a normal life." Social Security's definition of disability is more specific. Disability under Social Security is based on your inability to work.

You will be considered disabled if you cannot do work you did before and we decide that you cannot adjust to other work because of your medical condition(s). Your disability also must last, or be expected to last, for at least a year or to result in death.

This is a strict definition of disability. Unlike many private pension plans or even some other government disability programs, Social Security is not intended for a short-term condition. There is no such thing as “partial” disability benefits from Social Security.

How To Speed Up Your Disability Claim

If you become disabled, you should file for disability benefits right away. 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:

- medical records from your doctors, therapists, hospitals, clinics and caseworkers;
- your laboratory and test results;
- the names, addresses and phone and fax numbers of your doctors, clinics and hospitals;
- the names of all medications you are taking; and
- the names of your employers and job duties for the last 15 years.

Here's An Important Point: Social Security's disability rules are different from those of other private plans or government agencies. The fact that you qualify for disability from somebody else doesn't mean you'll be eligible for Social Security. And because you have a statement from your doctor indicating you are disabled doesn't mean you'll be automatically eligible for Social Security disability benefits.

When Do Your Disability Benefits Start?

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.

Because Social Security benefits for the month are paid the following month, he will receive his September benefits in October.

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

Worker's Compensation And Other Disability Payments

Your Social Security disability benefit may be reduced if you get worker's compensation or certain other government disability benefits. 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 performing "substantial" work. We will conduct a medical review periodically to determine whether 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

Some people want to work despite their disabling condition. If you want to return to work, Social Security can help you make the transition through work incentives. This allows you to work for a period of time without reducing your benefits. If you return to full time gainful employment, you will have the added benefit of knowing that your Medicare coverage will continue. And, if it becomes necessary, we can reinstate your benefits without an application.

For More Information: To learn more about these special work incentives, call us or visit our work website at www.ssa.gov/work to get a copy of the leaflet, *Working While Disabled ... How We Can Help* (Publication No. 05-10095).

Benefits For Your Family

This section of the booklet describes the 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 also may be eligible for payments. For example, benefits can be paid to:

- your husband or wife if he or she is age 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 age 16 or disabled and receiving Social Security benefits); and
- your children, if they are
 - unmarried and under age 18;
 - under age 19, but in elementary or secondary school as a full-time student; or
 - age 18 or older and severely disabled (the disability must have started before age 22).

How Much Can Family Members Get?

Each family member may be eligible for a monthly benefit that is up to 50 percent of your retirement or disability benefit amount. However, there's a limit to the total 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, the benefits to the family members will be reduced proportionately. Your benefit will not be affected.

Benefits For Divorced Spouses

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

- have been married to you for at least 10 years;
- be at least 62 years old;
- be unmarried; and
- 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 doesn't affect the amount of any benefits payable to you or your other family members.

Survivors Benefits

This section of the booklet tells about the benefits payable to the family of a worker who dies. For more information, visit our website at www.ssa.gov/planners, call our toll-free number **1-800-772-1213** or call or visit any Social Security office and ask for a copy of the booklet, *Survivors Benefits* (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 earned enough credits while you were working.

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 age 16 or a disabled child who is receiving Social Security benefits;
- children if they are unmarried and
 - under age 18;
 - under age 19 but in an elementary or secondary school as a full-time student; or
 - age 18 or older and severely disabled (the disability must have started before age 22); and
- 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 Widow(er)s

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 age 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; and
- not be currently married, unless the remarriage occurred after age 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?

Your survivors receive a percentage of your basic Social Security benefit—usually in a range from 75 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 total benefits payable to your surviving family members is greater than this limit, your family's benefits will be reduced proportionately.

The *Social Security Statement*, explained on Page 12, provides an accurate measurement of potential survivors benefits payable on your record. And you can use the *Benefits Planner* on our website to get estimates of what your survivors might get.

Retirement Benefits For Widow(er)s

If you're receiving widows or widowers (including divorced widows or widowers) benefits, you can switch to your own retirement benefits as early as age 62 (assuming you're eligible and your retirement rate is higher than your widow(er)'s rate). 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 when reaching full retirement age. The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.

Remember!

- *Age 62 is the earliest you can collect Social Security retirement benefits.*
 - *The age at which you can receive full retirement benefits is rising.*
-

Part 4—Choosing When To Retire

Choosing when to retire is one of the most important decisions a person will make in his or her lifetime. And choosing when to get Social Security retirement benefits offers several options. You can retire when you reach full retirement age and get your full retirement benefits. You can retire before reaching full retirement age and receive “reduced” benefits.

Or, you can choose to work beyond full retirement age. If that’s your choice, you have two more options. You can work and get full retirement benefits no matter how much you earn. Or, if you continue working and choose to delay getting retirement benefits until you reach age 70, you’ll earn credits that increase your benefit amount. This section more fully explains the options. You also can learn about retirement benefits by visiting our website www.ssa.gov or calling us at **1-800-772-1213** to get a copy of the booklet *Retirement Benefits* (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 this year (2003), the age at which full benefits are payable will increase in gradual steps from 65 to 67. The following table lists the steps:

Age to Receive Full Social Security Benefits

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Reduced Benefits As Early As Age 62

No matter what your “full” retirement age is, you may start receiving benefits as early as age 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 four months and you sign up for Social Security when you’re 64, you will receive 91.1 percent of your full benefit. At age 62, you would get 80 percent.

(Note: The reduction will be greater in future years as the full retirement age increases. For example, a person retiring at age 62 in the year 2003 will see a reduction of 23 percent. A person born in 1960 whose full retirement age will be 67 will see a 30 percent reduction when retiring at age 62.)

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 contact 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 don't 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 beyond their full retirement age. This credit, which is a percentage added to your Social Security benefit, varies depending on your date of birth. For people reaching full retirement age in 2003, the rate is 6.5 percent per year. That rate gradually increases in future years, until it reaches 8 percent per year for people reaching full retirement age in 2008 or later. You no longer earn this delayed retirement credit after you reach age 70.

Remember! *You don't have to retire to get full retirement benefits.*

Working And Receiving Benefits At The Same Time

You can continue to work and receive full retirement benefits. Your earnings in and after the month you reach your full retirement age will not affect your Social Security benefits. However, your benefits will be reduced if your earnings exceed certain limits for the months before you reach your

full retirement age, 65 for persons born before 1938 and gradually increasing to 67 for persons born in 1960 or later. (See chart, Page 21.)

Here's how it works;

- If you're under full retirement age, \$1 in benefits will be deducted for each \$2 in earnings you have above the annual limit (\$11,520) in 2003.
- In the year you reach your full retirement age, your benefits will be reduced \$1 for every \$3 you earn over a different limit (\$30,720 in 2003) until the month you reach full retirement age. Then you can work without any reduction in the amount of your monthly benefit, no matter how much you earn.

People who work and collect disability or SSI benefits have different earnings requirements. They should report all their income to Social Security regardless of how much they earn.

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 doesn't include pensions, annuities, investment income, interest, Social Security, veterans or other government benefits.

For More Information: 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 copy of the leaflet, *How Work Affects Your 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'll 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 (see note on next page) 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, up to 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 (see note below) that is between \$32,000 and \$44,000. If your combined income is more than \$44,000, up to 85 percent of your Social Security benefits is subject to income tax.

If you are married, but file a separate return, you probably will pay taxes on your benefits.

Although you're not required to have federal taxes withheld, you may find it easier than paying quarterly estimated tax payments.

To have federal taxes withheld, you can get a form W-4V from the Internal Revenue Service (IRS) by calling the IRS toll-free number, 1-800-829-3676, or by visiting www.ssa.gov on the Internet. After completing and signing the form, return it to your local Social Security office by mail or in person.

To get the address of your local Social Security office, visit www.ssa.gov or call **1-800-772-1213**.

Each time you want to make a change (or stop the withholding), complete a W-4V and send it to Social Security.

Note: "Combined" income means you 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 *Tax Information for Older Americans* (Publication No. 554), and *Social Security Benefits And Equivalent Railroad Retirement Benefits* (Publication No. 915).

Part 5—When You’re Ready To File For Benefits

When you’re ready to file for retirement benefits you can choose one of these easy methods:

- File your application on-line at *www.ssa.gov* on the Internet.
- Call this toll-free number, **1-800-772-1213**, to file by telephone.
- Call the toll-free number to make an appointment to visit a local Social Security office to file for benefits.

When you’re just thinking about filing for retirement benefits, we suggest you talk with a Social Security representative a few months before the year you plan to retire. It may be to your advantage to start receiving your retirement benefits before you stop working.

To file for disability, survivors or SSI benefits, you should apply as soon as you’re eligible. You must call or visit a Social Security office to file for these benefits.

If You Haven’t Earned Enough Credits To Get Social Security

If you haven’t worked long enough to get Social Security, or if you receive only a small benefit amount, you may be eligible for Supplemental Security Income (SSI). For more information, see Pages 27-29.

What Records Will You Need?

To show that you’re eligible for Social Security and to help us decide how much your benefits should be, we may ask you to provide certain documents. The ones you’ll need depend on the circumstances of your claim. Here’s a list of some 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);
- proof of U.S. citizenship or lawful alien status if you (or a child who is applying) were not born in the U.S.;
- your spouse's birth certificate and Social Security number if he or she is applying for benefits based on your record;
- marriage certificate (if signing up on a spouse's record);
- your military discharge papers if you had military service; and
- your most recent W-2 form, or your tax return if you're self-employed.

This is a partial list to help you get prepared. We'll let you know whether other documents are needed when you file a claim.

Here's An Important Point: You'll need to submit original documents or copies certified by the issuing office. You can mail or bring them to Social Security. We'll make photocopies and return your documents. 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

Social Security benefits are generally paid by direct deposit. Direct deposit is a simple, safe and secure way to receive your benefits, and you remain in control of your money.

Be sure to have your checkbook or account statement with you when you apply. The Social Security representative who takes your claim will need that information to make sure your monthly benefit is correctly deposited into your account. If you do not want direct deposit, the representative will help you make other arrangements for your monthly benefit.

If you don't have a checking account, you may want to consider an Electronic Transfer Account (ETA). An ETA is for anyone who receives a federal benefit, wage,

salary or retirement payment. You can visit the ETA website <http://fms.treas.gov/eta> to locate a bank, savings and loan or credit union near you. This low-cost, federally insured account lets you enjoy the safety, security and convenience of automatic payments.

Part 6—Other Benefits You May Be Eligible To Receive

Supplemental Security Income

This section of the booklet explains the Supplemental Security Income (SSI) program. For more information, call 1-800-772-1213 or visit any Social Security office and ask for a copy of the booklet, *Supplemental Security Income* (Publication No. 05-11000).

What Is Supplemental Security Income?

Supplemental Security Income is usually called “SSI.” 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. To get SSI you must be living in the U.S. or the Northern Mariana Islands and be:

- 65 or older;
- blind; or
- disabled.

You also must be a U.S. citizen or national. (Some noncitizens can qualify for SSI. Ask for the factsheet, *SSI for Noncitizens* (Publication No. 05-11051), for information about who can qualify.

Here’s An Important Point: Children as well as adults can get SSI benefits because of blindness or disability. See Page 29 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 dollar limits.

By the term **income**, we mean the money you have coming in such as earnings, Social Security or other government checks, pensions, etc. 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. 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 don’t change from state to state.

How Much Can You Get From SSI?

How much you’ll get from SSI depends on your other income and where you live. The basic monthly SSI check is the same in all states—\$552 for one person and \$829 for a couple. Some states add money to the basic rate, so you may get more if you live in one of these states. You’ll 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 whether a person has a condition severe enough to qualify for Social Security disability benefits also apply to SSI.

As with Social Security, the SSI program has special plans 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, visit our website at www.ssa.gov/work or call us at 1-800-772-1213 to ask for a copy of the leaflet, *Working While Disabled ... How We Can Help* (Publication No. 05-10095).

For special information about benefits for children with disabilities, ask for a copy of the leaflet, *Benefits For Children With Disabilities* (Publication No. 05-10026).

Other Help You Can Get

Most people who get SSI also can 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 care program for people with low income and limited assets. It’s 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 any Social Security office and ask for a copy of the booklet, *Medicare* (Publication No. 05-10043).

Medicare Has Two Parts

Medicare provides—

- hospital insurance (Part A) that helps pay for inpatient hospital care and certain follow-up services; and
- medical insurance (Part B) that 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're 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've been getting Social Security disability benefits for 24 months, you'll 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, in the year 2003, costs \$58.70 per month if you choose to enroll. Most people sign up for this part of Medicare.

How Do You Get Medicare?

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

If you're disabled, you'll automatically be enrolled in Medicare after you've been getting disability benefits for 24 months. (You can turn down Part B.)

If you turn 65 and plan to keep working but don't 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 whether 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 local Social Security office for more details.

Help For Low-Income Medicare Beneficiaries

If you get Medicare and have low income and few assets, 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 Programs* (CMS Publication No. 10126-S).

Part 7—What You Need To Know After You Sign Up For Social Security

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 explaining our decision. If you disagree with our decision, 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, *The Appeals Process* (Publication No. 05-10041). You also 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, *Your Right To Representation* (Publication No. 05-10075).

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 paid 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, saving any excess funds on the beneficiary’s behalf; and

- 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, ask for a copy of the booklet, *A Guide For Representative Payees* (Publication No. 05-10076).

Other Booklets Available

As we said on the first page, this booklet provides a general overview of Social Security programs and how they might affect you. Throughout this booklet, we refer you to other publications whenever the situation requires more information or a more detailed explanation.

SSA produces many publications and factsheets designed to help explain these programs to you. Here's a list of some you may find helpful:

- *Retirement Benefits* (Publication No. 05-10035)—a guide to Social Security retirement benefits;
- *Disability Benefits* (Publication No. 05-10029)—a guide to Social Security disability benefits;
- *Survivors Benefits* (Publication No. 05-10084)—a guide to Social Security survivors benefits;
- *Supplemental Security Income* (Publication No. 05-11000)—a guide to the Supplemental Security Income program; and
- *Benefits For Children With Disabilities* (Publication No. 05-10026)—an overview of benefits available to children.

You can read or print these publications when you visit www.ssa.gov to access Social Security information.

Or you can obtain a copy of these and other publications from any Social Security office or by calling our toll-free number, **1-800-772-1213**, 24 hours a day, including week-ends and holidays.

Some Facts About Social Security

2003 Social Security Taxes

- You and your employer each pay 6.2 percent up to \$87,000
- If you're self-employed, you pay 12.4 percent up to \$87,000
- You do not pay Social Security taxes on any earnings above \$87,000

Extra Taxes For Medicare In 2003

- You and your employer each pay 1.45 percent
- If you're self-employed, you pay 2.9 percent

Medicare taxes are paid on all of your earnings; there is no limit.

Work Credits In 2003

- For each \$890 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 2003 Monthly Social Security Benefits

- Retired worker: \$895
- Retired couple: \$1,483
- Disabled worker: \$833
- Disabled worker with a spouse and child: \$1,395
- Widow(er): \$862
- Young widow(er) with two children: \$1,838

2003 Earnings Limits

- If you have not reached full retirement age (65 and 2 months in 2003), you can earn up to \$11,520 with no reduction in benefits. For every \$2 you earn over \$11,520, \$1 is withheld from your benefits.

- In the year you reach your full retirement age, your benefits will be reduced \$1 for every \$3 you earn over a higher earnings limit (\$30,720 in 2003) until the month you reach full retirement age. Then you can work without any reduction in your monthly benefits no matter how much you earn. (Full retirement age is 65 for persons born before 1938 and gradually increases to 67 for persons born in 1960 or later.)

2003 SSI Payment Rates

(does not include state supplement, if any)

- \$552 for an individual
- \$829 for a couple

Social Security Administration
SSA Publication No. 05-10024
January 2003 (*Recycle prior editions*)
ICN 454930
Unit of Issue - Package of 25



Printed on recycled paper