

Advice Knowledge Express: Navigating Social Security – Social Security Disability Insurance Video Transcript

Investment and Insurance Products are:

- Not Insured by the FDIC or Any Federal Government Agency
- Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Affiliate
- Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested

Rayyan Anees: Hello and welcome to the Navigating Social Security Video series. I'm your host Rayyan Anees and joined with my colleagues Annie Scalora and Bob McKinney to introduce the important points around Social Security Disability Insurance, also known as SSDI.

Starting off with Annie, could you help us understand the basics of Social Security disability?

Annie Scalora: Sure Rayyan, I'd be happy to do so. To understand the basics, we start with planning. It provides the opportunity to assess how various life events could reshape our plans. Disability can be a sudden event or a gradual process, but either way it normally reduces your lifetime earnings and potentially your Social Security benefit amount.

Social Security Disability Insurance, SSDI, pays benefits to those that meet Social Security's strict definition of disability and work history requirements.

The definition of disability is that you are unable to engage in any substantial gainful activity, SGA, because of a medically determinable physical or mental impairment that is expected to result in death or has lasted or is expected to last for a continuous period of at least 12 months.

Therefore, there are no short term or partial disability benefits payable like you might find in other disability programs.

<https://www.ssa.gov/redbook/eng/definedisability.htm#:~:text=Our%20Definition%20of%20Disability%20To%20meet%20our%20definition,a%20continuous%20period%20of%20at%20least%2012%20months>

Current as of August 2023

Rayyan Anees: Thank you, Annie, for explaining Social Security's definition of disability, which is really important. Turning over to Bob now. I understand that there are two tests a person must meet regarding their work history requirements to qualify for SSDI benefits. Could you please walk us through those?

Bob McKinney: Sure. Happy to do that, Rayyan. So, Social Security Disability does have two earnings tests and both are dependent on the worker's age at the onset of the disability. You must meet both tests and you will need a minimum number of credits or years of work to pass each test. Let's start with the Recent Work Test.

In or before the quarter you turn age 24, you will need one and a half years of work history.

In the quarter after you turn age 24, but before the quarter you turn age 31, you will need to have worked half of the time since you turned age 21.

In the quarter that you turn age 31 or later, you must have worked five of the last ten years in order to meet the recent work test.

Source: <https://www.ssa.gov/pubs/EN-05-10029.pdf> Current as of August 2023

Rayyan Anees: So once the recent work test is met, what is the second requirement that we need to be aware of?

Bob McKinney: The second test is called Duration of Work Test. And this is to show that you worked long enough under Social Security to qualify for benefits. You can estimate the credits required using the formula shown here.

Take the year of disability onset minus the year you attained age 22.

That equals the number of credits needed to meet the duration requirement.

For example, if you develop a disability in 2024 at age 50, the disability onset year is 2024. The year you attained age 22 is 1996 and the difference is 28, which is the estimated number of credits required.

Here are some other examples of various ages.

Source: <https://www.ssa.gov/pubs/EN-05-10029.pdf> Current as of August 2023

Rayyan Anees: Turning back to Annie, once the Recent Work and Duration of Work test are met by an individual, who determines if you are disabled and in fact entitled to benefits?

Annie Scalora: So, each state has a Disability Determination Services office that processes your initial claim.

The claims process can take an average of 3 to 6 months, but often takes much longer.

After approval, though, there is a five-month waiting period from the date of disability before the benefits are paid in the sixth month. The approval may entitle your spouse, ex-spouse, minor child or disabled adult children to receive benefits based on your work record as well.

We have discussed this in the Social Security Family Benefits video.

Rayyan Anees: So, Annie, what I'm hearing is that because of the long claims processing time and the waiting period, it almost seems like you should file as early as possible. Would you agree with that statement?

Annie Scalora: I do agree with that statement. And most initial applications are denied. But there is an appeals process. So, it's generally recommended you engage an attorney specializing in disability to assist you with your claim. The Social Security Administration determines the amount of your attorney's fee and requires an approved fee agreement.

Rayyan Anees: That is beneficial information. So once the claim is approved, how is the benefit calculated and is that any different than the calculation of Social Security retirement benefits?

Annie Scalora: So, the amount of your disability benefits is based on how much you contributed to Social Security. After adjusting for the number of years to include in the calculation, monthly benefits are computed just like retirement benefits. You receive the resulting primary insurance amount. Your online Social Security statement includes a current disability benefit estimate based on your work record.

Rayyan Anees: And are there any final items that you would like to highlight for us on this topic?

Annie Scalora: Yes, actually, there are four important items to consider.

One, the payment amount does not change at full retirement age, but it does change from a disability benefit to a retirement benefit.

Two, income from private pensions, investments, inheritances and other assets will not affect eligibility or benefit amount for SSDI benefits.

Three, payments from some public disability programs, including workers compensation, may cause an offset in benefits.

And lastly, number four, you become Medicare eligible after you have received Social Security disability payments for two years.

Sources:

<https://www.ssa.gov/pubs/EN-05-10018.pdf> May 2021,

<https://www.ssa.gov/pubs/EN-05-10029.pdf> March 2024,

<https://www.ssa.gov/pubs/EN-05-10153.pdf> March 2024

Rayyan Anees: Thank you, Annie and Bob, that was a very insightful discussion.

Social Security disability can be a complex and time-consuming process.

We recommend reviewing your case with a qualified attorney who can assess your case and guide you through specific steps.

They will also understand and coordinate Supplemental Security Income, as well as any state specific benefits that might be available to you.

Wealth & Investment Management (WIM) provides financial products and services through various bank and brokerage affiliates of Wells Fargo & Company.

Brokerage products and services are offered through Wells Fargo Advisors, a trade name used by Wells Fargo Clearing Services, LLC, and Wells Fargo Advisors Financial Network, LLC, Members SIPC, registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

Bank products and services are available through Wells Fargo Bank, N.A.

Wells Fargo and Company and its Affiliates do not provide tax or legal advice.

Please consult your tax and legal advisors to determine how this information may apply to your own situation.

The content of this video is educational and for illustrative purposes only.

The solutions discussed in this video may not be appropriate for your personal situation, even if it is like the examples presented.

Unless shown, the source of the data shown is the Social Security Administration (ssa.gov) as of September 2024.

© 2024 Wells Fargo. PM-04212026-7175461.1.2