

Breaking Down Work Credits for Social Security Disability Insurance (SSDI)



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Introduction

In order to be a recipient of the SSA's disability benefits, you first have to apply to the Social Security Administration.

There is a difference between Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), and when you apply for disability benefits, you should know whether SSDI or SSI is most applicable to you.

For example, SSDI is a program that employees pay into throughout their career; whereas SSI is a general collection of tax dollars which help those who have little to no income.

The Social Security Administration has specific formulas for calculating the amount of SSDI benefits you will receive. Their formula heavily relies on the amount of work credit you have earned.

Your work credits are based on your total amount of yearly wages or self-employment income with a maximum earning of 4 work credits per year; For example, this year, 2016, you will earn 1 credit for each \$1,260 of income. When you have earned \$5,040, you will have earned your 4 credits for this year.



Introduction *(cont.)*

The amount required for credits generally increases each year. Another part of their formula incorporates the age at which you became disabled; however, the maximum number of credits you will need to earn is 40 credits, with 20 of them being earned in the 10-year period prior to the year in which you became disabled.

Since age is a factor, a younger worker may be eligible for SSDI with fewer credits; however, no matter the age of the disabled worker, he or she will still have to meet the required amount of work credits within the specified time frame.

Throughout this guide, we will discuss the relationship between SSDI and your work credits, how your work credits are earned and the ways your work history affects your work credits.



SSDI and Work Credits Explained

SSDI benefits and work credits are, in some ways, dependent on each other. Unlike Supplemental Security Income (SSI), you pay into your SSDI benefits which are why your length of employment is important.

For example, some of the Social Security Administration requirements for receiving Social Security Disability Insurance (SSDI), include:

- o Working approximately 10 years in a job covered by Social Security
- o Having a disabling medical condition as defined by the Social Security Administration
- o Having a severe enough condition enabling the worker to work for over a year or is expected to result in death with consideration to your age, education and experience



SSDI and Work Credits Explained (cont.)

What are SS Credits?

Work credits are the components the Social Security Administration (SSA) plugs into a portion their formula that calculates how much Social Security Disability benefits you will receive.

In order to even qualify for SSDI, you must meet the minimum amount of covered work as outlined by the Social Security Administration which we discuss a little later. Your work credits are a part of your working record; therefore, if you simply stop working prior to earning enough credits to qualify for benefits, you will not lose any of those credits.

Also, if you are able to return to work, your work credits will resume as well. Keep in mind that even if you are working and paying into your SSDI, no benefits can be paid if you have not accumulated the required amount of credits per your age and work history as outlined by the SSA.



How SSDI Work Credits are Earned

To understand how your work credits are earned and their payment amount through SSDI, you need to understand their history.

Your eligibility is based on your work history in a set of years while payments are based on a lifetime. For example, the SSA abides by a 20/40 rule meaning you have at least 20 Quarters of Coverage (QC) out of the 40 quarter period prior to the quarter in which you become disabled.

This is essentially translated into being covered and earning credits for at least half of the total time span.

In 1978 the SSA began reporting annually rather than quarterly; since then, the SSA determines your insured status based on the 10-year period prior to your disability date. As we stated earlier, for example, you will earn 1 credit for each \$1,260 of income this year-- 2016. When you have earned \$5,040, you will have earned your 4 credits for this year.

Your Social Security Disability benefits are an earned reflection of your work in a job and how much you have paid into Social Security taxes throughout your working life. The earnings amount needed for work credits generally increase annually to accommodate the rising average earnings levels increase.

For example, in comparison to this year, last year, 2015, the required quarter of coverage was \$1,220 which was one quarter of the required amount of \$4,880 for four quarters of coverage.

A general rule of thumb to remember is that your earned work credits will remain on your work history record despite changing jobs or even if you are not currently earning anything.



How SSDI Work Credits are Earned *(cont.)*

Age, Credits and Years of Work

A few examples of how the SSA calculates your QC's out of your total QC's based on your age are outlined below.

If you become disabled before you are 24 years old, then you will need to have worked 1.5 years out of the past three years to earn 6 credits before you became disabled.

If you become disabled between the ages of 24-30, then you will need to have worked for half the time between age 21 and the time you became disabled.

If you become disabled at age 31 or older, you will need at least 20 credits in the 10 years immediately before you became disabled.

<i>Disabled at age</i>	<i>Credits needed</i>	<i>Years of work</i>
31 through 42	20	5
44	22	5.5
46	24	6
48	26	6.5
50	28	7
52	30	7.5
54	32	8
56	34	8.5
58	36	9
60	38	9.5
62 or older	40	10



How Your Work History Impacts Social Security Benefits

It is important to know the exact dates, not rounded time frames, of your employment to be considered eligible for work credits. This is due to the fact that the SSA calculates your work credits based on the actual years of your employment.

There are a few things to consider regarding your work history, such as self-employment, working overseas, military service and having been federally employed.

Self-employed

An individual who is self-employed and filing for SSDI goes through the same process and must be fully insured like anyone else. Again, this would require the applicant to have worked half of the total quarters of coverage; for example, he or she can earn one credit for every \$1,260 in net earnings with no more than 4 credits per year, and must be considered medically disabled by the SSA qualifications.

It is important to note that your SSDI payments are also based on a lifetime of earnings. The SSA applies special rules to those who have net annual earnings of less than \$400 such as not being eligible to receive any credits.

The most common problem with individuals who identify themselves as self-employed on their applications, is if they have not filed self-employment tax return and have not paid the appropriate taxes. Likewise, self-employed individuals who are married and didn't pay or file taxes can cause issues if the other spouse is wanting to collect; the problem is that there won't be accurate work history, or work credits, available for them to collect from.



How Your Work History Impacts Social Security Benefits *(cont.)*

Keep in mind that SSDI is an insurance program—you have to pay into it in order to be eligible and your medical condition must interfere with your ability to work.

Work History: Overseas

The Social Security Administration has an agreement with 24 other countries called Totalization Agreements. If you were working in one of those countries, then chances are you were earning work credits and your work history will be counted and help you qualify for U.S. benefits.

However, if you don't have enough credits from your work history in the U.S to qualify for retirement, then the Social Security Administration may count your work credits from another country.

Work History: Military Service

If you were active duty in the military after 1956, then you can get work credit those military service earnings.

In some instances, the SSA may add extra credits to service men and women who served from 1957- 2001 system.



How Your Work History Impacts Social Security Benefits *(cont.)*

Work History: Federal Employee

Individuals who are federal employees hired after 1983 will be covered since that is when federal employees began paying into SSDI.

Federal employees hired prior to 1984 will most likely have decreased SSDI benefits due to a provision called the Windfall Elimination Provision. These employees have their own civil service retirement system.



Work History: Jobs That Don't Make the Cut

These are essentially jobs that don't pay into Social Security Disability, including:

- o Railroad employees with more than 10 years of service
- o Federal employees hired before 1984
- o Employees of some state and local governments that chose not to participate in SS, or
- o Children younger than 21 who do household chores for a parent (except a child age 18 or older who works in the parent's business)

You will want to ensure that your earnings on your W-2 are accurately noted and that FICA taxes have been withheld since those figures will be a part of your lifelong earnings record.



Conclusion

When you are applying for SSDI, be sure that SSDI disability benefits are the most applicable to you. SSDI and SSI benefits are both awarded by the Social Security Administration, however, they are both earned differently.

SSDI is a program that employees pay into throughout their career; whereas SSI is a general collection of tax dollars which help those who have little to no income.

Your work credits are a part of your working record; therefore, they are also a part of the Social Security Administration's formula to calculating your benefit amount.

SSA determines your insured status based on the 10-year period prior to your disability date. As we stated earlier, for example, you will earn 1 credit for each \$1,260 of income this year-- 2016. When you have earned \$5,040, you will have earned your 4 credits for this year.

There are a few things to consider regarding your work history, such as self-employment, working overseas, military service and having been federally employed.

Keep in mind that SSDI is also an insurance program-- you have to pay into it in order to be eligible and your medical condition must interfere with your ability to work.



Resources

Helpful SSDI resources you can use to learn more about work credits and Social Security Disability Insurance (SSDI):

1. <http://www.disabilityexpertsfl.com/blog/bid/146831/Do-I-Have-to-be-out-of-Work-for-a-Year-for-Disability-Benefits>
2. <http://www.disabilityexpertsfl.com/blog/how-social-security-decides-if-you-are-disabled>
3. <http://www.disabilityexpertsfl.com/blog/bid/165418/What-Disability-Benefits-are-Florida-Residents-Eligible-For>
4. <http://www.disabilityexpertsfl.com/blog/what-the-ssa-doesnt-tell-you-about-the-application-and-appeal-process>
5. <http://www.disabilityexpertsfl.com/blog/bid/201607/7-Things-You-May-Not-Know-About-the-SSA-and-Disability>
6. <https://faq.ssa.gov/link/portal/34011/34019/Article/3829/How-do-I-earn-Social-Security-credits-and-how-many-do-I-need-to-qualify-for-benefits>
7. <https://faq.ssa.gov/link/portal/34011/34019/Article/3834/Can-I-get-credits-under-Social-Security-for-my-military-service>
8. <https://faq.ssa.gov/ics/support/KBAanswer>.



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