

# Appendix B

## Estimating Social Security Benefits

**T**he Social Security Administration (SSA) provides basic benefits for your retirement, for a period of disability, or for your survivors. To qualify, you must have earned the number of credits required for each benefit program. Once you qualify, the level of benefits received is based on your income in past years that was subject to the Federal Insurance Contributions Act (FICA) taxes, commonly known as Social Security taxes. Benefits increase each year based on a cost of living adjustment (COLA) announced by the SSA each October for the following year. Over the past ten years, COLA adjustments have averaged 2.6 percent. The discussion and Table B.1 provide the authors' estimates of Social Security benefits for 2006 for various income levels using calculators found at [www.ssa.gov/planners/calculators.htm](http://www.ssa.gov/planners/calculators.htm). The amounts are for a 30-year-old worker but would not differ significantly for workers ten years older or younger.

## Social Security Retirement Benefits

To qualify for Social Security retirement benefits, any worker born after 1928 must have earned 40 **credits** of coverage. As noted in the text, it is possible to receive a maximum of four credits per year. In 2004, a worker would earn one credit for each \$900 of income subject to Social Security taxes (this figure is adjusted upward each year for inflation and is estimated to be \$940 in 2006). Dependent children, spouses caring for dependent children, and retired spouses at age 62 (including former spouses if the marriage lasted at least ten years) may also collect benefits based on the eligibility of the retired worker.

You can use Table B.1 to estimate a person's Social Security retirement benefits in today's dollars, assuming the retiree worked steadily, received average pay raises, and retired at the full benefit retirement age. If more than one person would receive a benefit under the retiree's account (retiree and spouse, for example), the amount of the second person's benefit would be one-half of the retiree's benefit, giving a couple a total benefit 50 percent higher than the individual figure listed in Table B.1.

## Social Security Disability Benefits

Social Security will pay disability benefits to an insured worker, dependent children up to age 18 (or 19, if the child is still in high school), a spouse caring for a dependent child who is younger than age 16 or disabled, and a spouse (even if divorced, but not remarried, provided that the marriage lasted ten years) aged 62 or older. The benefit amount depends on two factors. The first factor is the eligibility of the disabled worker. To qualify for disability benefits, workers need at least 40 credits of coverage under Social Security, with at least 20 of the credits attained in the previous ten years (depending on year of birth). A worker younger than age 31 must have attained at least six credits or one more than one-half of the total credits possible after age 21, whichever is greater. (For example, a 26-year-old worker would have five years, or 20 credits, possible and would need 10 credits of coverage.) The second factor affecting benefit levels is the pre-disability income of the covered individual that was subject to the FICA tax.

You can use Table B.1 to estimate an individual's Social Security disability benefits, assuming the disabled person worked steadily and received average pay raises. To obtain figures more specific than those given in Table B.1, contact the Social Security Administration to obtain your personal earnings and benefit estimate statement as described in Chapter 18, or log on to [www.ssa.gov/mystatement/](http://www.ssa.gov/mystatement/) or [www.ssa.gov/planners/calculators.htm](http://www.ssa.gov/planners/calculators.htm).

## Social Security Survivor's Benefits

Social Security will pay benefits to surviving children younger than age 18 (or 19, if the child is still in high school), to a surviving spouse (even if divorced from the deceased, but not remarried) caring for surviving children who are younger than age 16, and to a surviving spouse (even if divorced, if the marriage lasted at least ten years) aged 60 or older. Two factors are important in such cases. The first factor is the eligibility of the covered worker. The deceased worker must have accrued at least 40 credits of coverage to be "fully insured," depending on his or her year of birth. Workers who have earned at least as many credits of coverage as years since turning age 21 will be fully insured as

well. Other individuals may be considered “currently insured” if they have six credits of coverage in the previous 13 calendar credits. The survivors of currently insured workers receive limited types of benefits compared to those available to fully insured workers. The second factor is the covered worker’s level of earnings, as indicated in Table B.1.

You can use Table B.1 to estimate monthly survivor’s benefits from Social Security in today’s dollars for eligible surviving family members. The table assumes that the deceased worker worked steadily and received average pay raises.

**Table B.1** Estimates\* of Social Security for the Three Major Social Security Programs

	Present Annual Earnings					
	\$25,000	\$35,000	\$45,000	\$55,000	\$70,000	\$85,000
<b>Monthly Retirement Benefits at Age 67 in Today’s Dollars</b>						
Per month	\$ 1,072	\$ 1,352	\$ 1,575	\$ 1,752	\$ 1,950	\$ 2,146
Per year	\$12,864	\$16,224	\$18,900	\$21,024	\$23,400	\$25,752
As a percentage of income	51.5%	46.4%	42.0%	38.2%	33.4%	30.3%
<b>Monthly Disability Benefits If You Became Disabled in 2006</b>						
Individual benefit per month	\$ 988	\$ 1,234	\$ 1,480	\$ 1,665	\$ 1,839	\$ 2,012
Individual benefit per year	\$11,856	\$14,808	\$17,760	\$19,980	\$22,068	\$24,144
As a percentage of income	47.4%	42.3%	39.5%	36.3%	31.5%	28.4%
Maximum family benefit per month	\$ 1,680	\$ 2,098	\$ 2,516	\$ 2,831	\$ 3,126	\$ 3,420
Maximum family benefit per year	\$20,160	\$25,176	\$30,192	\$33,972	\$37,512	\$41,040
<b>Monthly Survivor’s Benefits If You Died in 2006</b>						
Individual benefit per month†	\$ 761	\$ 953	\$ 1,147	\$ 1,269	\$ 1,405	\$ 1,540
Individual benefit per year	\$ 9,132	\$11,436	\$13,764	\$15,228	\$16,860	\$18,480
As a percentage of income	36.5%	32.6%	30.6%	27.7%	24.1%	21.7%
Maximum family benefit per month	\$ 1,759	\$ 2,338	\$ 2,683	\$ 2,964	\$ 3,280	\$ 3,596
Maximum family benefit per year	\$21,108	\$28,056	\$32,196	\$35,568	\$39,360	\$43,152

\*Authors’ estimates in today’s dollars for a 30-year-old worker using Social Security Administration website calculators.

†A surviving spouse aged 65 or older would receive a retirement benefit approximately one-third higher than these figures.