



Understanding the Impact of Work, Earnings, and IDAs On Social Security Disability Benefits

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Overview of the Social Security Disability Benefit Programs

While the Title II and SSI programs share a common disability requirement and process for determining disability, they are very different programs when it comes to their purpose, non-disability eligibility requirements and their treatment of work, earnings, and resources. Based on these important differences in program rules, answering the question “How will participating in an IDA affect a person’s eligibility for disability benefits and monthly benefit amounts?” requires first understanding which of the Social Security benefits a participant receives.

Introduction to Title II Disability Benefits

The Social Security Act, which became a law in 1937, was originally designed to serve solely as a retirement program for workers. Over the years, however, a number of benefit programs have been gradually added under Title II of the Social Security Act. These include benefits paid to a worker’s family members and survivors, as well as a disability program for workers that was added in 1956.

All of these programs, established under Title II of the Social Security Act, are designed to supplement the income of workers and their families when the worker loses earnings from work due to retirement, disability or death.

It is important to keep in mind that the Social Security benefits are an insurance program, meaning that a person is entitled to receive them based on the fact that they have worked or are a dependent of someone who has worked and paid sufficient Social Security taxes through their employment to have “insured status”. Individuals determined eligible for a Title II disability benefit receive a monthly cash benefit. Additionally, medical insurance coverage under Medicare is provided following the completion of a 24-month waiting period.

There are several different types of Title II Disability benefits, including Social Security Disability benefits (SSDI), Childhood Disability Benefits (CDB), and Disabled Widow (er)s benefit.

- Social Security Disability Insurance (SSDI): Social Security Disability Insurance is paid to people who worked and paid Social Security tax, and then became unable to work at a certain level because of the disability. Only Individuals with disabilities who have worked and have insured status are eligible for SSDI. There is no minimum age at which a person can begin receiving SSDI benefits on their work record. In fact, establishing eligibility for SSDI can happen quickly for younger persons since fewer “work credits” are needed for insured status for those who become disabled before the age of 24.
- Childhood Disability Benefits (CDB): Childhood Disability Benefits are paid to people who are over age 18, developed a disability before age 22, and who have a parent who worked and either receives a Social Security benefit based on his or her work, or who has died. Like Social Security Disability Insurance (SSDI), this benefit is considered a disability benefit
- Disabled Widow(er)s Benefits: The third disability program paid by Title II of the Social Security Act is paid to widows or widowers of workers who have died. The beneficiary must be over age 50, must have a disability, and must meet some additional requirements such as marriage to the worker.

All three of the Title II Disability benefits described above are, again, an entitlement due to past work history and insured status. Because the Title II disability benefits are not based on economic need, unearned income and resources are not considered and have no bearing on eligibility or payment amount.

Introduction to Supplemental Security Income

The second disability benefit program administered by SSA is Supplemental Security Income, or SSI. SSI is authorized by Title XVI of the Social Security Act and is a means-tested income support program. Unlike the Title II Disability benefits, there is no requirement that a person has worked or is a dependent of someone who has worked to be eligible for SSI. Instead, eligibility for SSI is based on meeting SSA’s requirement for being aged, disabled, or blind and having limited income and resources. A person can be eligible for SSI from birth if these requirements are met.

The SSI program is a social assistance program of last resort and, as its name suggests, is meant to supplement any other income a person may already have

to help them meet basic needs for food and shelter. The SSI program provides monthly cash benefits up to a maximum benefit level known as the Federal Benefit Rate (FBR). The current Federal Benefit Rate in 2011 is \$674 for an individual and \$1,011 for a couple who both receive SSI. How much of the maximum SSI benefit is actually due an individual or couple in a given month depends on a number of factors, including earnings and unearned income received from other sources. Because SSI supplements these other types of income, the more a person has in earnings and unearned income, the less they receive in SSI. As a result, income support provided by SSI may vary from month to month as an individual's or couple's financial situation fluctuates.

In addition to income supports, SSI also provides access to health insurance under Medicaid. In most states, eligibility for Medicaid is automatic for people who are eligible for SSI.

Impact of IDA Participation on Title II Disability Benefits

Is participating in an AFI IDA a good idea for a person with a disability who is trying to establish eligibility for a Title II Disability Benefit?

As explained earlier, the Title II Disability benefits are an insurance program that an individual is entitled to based on past work in Social Security covered employment. A person may establish eligibility for benefits based on their own work record and insured status (SSDI benefits), or on the work record of a family member who has insured status and is either disabled, retired or deceased (Childhood Disability Benefit, Disabled Widow(er)s Benefit).

While there is a perception in the disability community that Title II Disability benefits are a means-tested program, the reality is that accumulating resources and building wealth have never been a problem for Title II beneficiaries. Eligibility for Title II disability insurance benefits is not based on economic need and there has never been any restriction on savings, investment or asset accumulation. As a result, participation in an IDA will not adversely affect an individual's application or eligibility for Title II Disability benefits.

Once a person has established eligibility for a Title II benefit, will their earnings contributions to an IDA, matching funds, or interest earned have any impact on the cash benefit amount?

Social Security disability insurance (Title II) beneficiaries are not penalized in any way for having cash savings, IDAs, pension funds, retirement accounts, real property, or other investments to rely upon in addition to the Social Security disability payment and Medicare coverage. As resources are not a consideration in the Title II disability program, beneficiaries will not experience any change in eligibility or benefit amount as a result of funds accumulated in their IDA.

While participation in an IDA does not impact a person's Title II disability benefit, there are a number of factors that do. The following are several important features of the program to keep in mind when working with beneficiaries:

- First, the dollar amount of a beneficiary's Title II benefit is based in large part on their level of contributions to the Social Security Trust Fund. Or, in other words, how much the person earned and how long they worked. As a result, the amount of the monthly cash benefit varies significantly from person to person.
- Secondly, earnings from a job or self-employment may affect the ability of a Title II Disability beneficiary to continue receiving cash benefits over time. After a beneficiary has worked for a period of time, the SSA will evaluate the value of their work and make a decision about whether or not they should continue receiving their benefit. One of the measures they use in making this decision is called Substantial Gainful Activity, or SGA. The SSA reviews a person's gross earnings over a period of time, applies certain deductions, and then decides if the remaining amount of countable earnings represents substantial work. For individuals who are not blind, the SGA guideline in 2011 is \$1,000 a month. For individuals who are blind, SGA in 2011 is \$1,640 a month. A decision by SSA that a beneficiary's work is substantial will result in a loss of their cash benefit.
- And, finally, there is no provision in the Title II disability program for a gradual reduction in cash benefit as earnings increase. A Title II beneficiary will either receive their full cash benefit in a given month or no income support at all.

Based on the fact that earnings may ultimately result in the loss of a Title II benefit, what is the likelihood that a beneficiary will be willing to work and have the earnings needed to participate in an IDA?

While it is true that work valued at a substantial level will ultimately result in the loss of Title II disability benefits, there are a number of work incentives in the program that make it possible for beneficiaries to work and receive their benefit at the same time. Earned income and Title II benefits do not have to be mutually exclusive!! It is quite possible for beneficiaries to work and NEVER lose cash

benefits or Medicare coverage - it is simply a matter of how much the person is able to work and for how long.

The Title II work incentives may best be described as occurring in phases. In each phase, there are protections that allow for all or some of the monthly cash payments to be retained while beneficiaries test their ability to work. The phases occur in a chronological sequence. With each successive phase, fewer protections exist in order to help the person prepare for the possible eventual loss of cash benefits. In some ways, it can be described as a gradual weaning process - as earnings increase and continue over time, the work incentives gradually recede. The following is a quick overview of the phases:

- **Phase 1: Trial Work Period or TWP**
Beneficiaries begin with something called the Trial Work Period. This phase is not even activated unless the beneficiary earns gross wages in excess of the TWP limit in effect when the person works. In 2011 that limit is \$720 per month. If a beneficiary earned less than that amount, this work incentive phase would never even begin - the earnings would essentially be irrelevant. The wonderful thing about the Trial Work Period is that beneficiaries are guaranteed to receive full cash benefits no matter how much is earned. This phase is limited to 9 months within a rolling 5 year period.
- **Phase 2: Extended Period of Eligibility or EPE**
When the Trial Work Period ends, the next phase of work incentives begins - the extended period of eligibility. This is a 36 consecutive month period in which full benefits may be received as long as substantial gainful activity or SGA is not achieved. Again, SGA is a guideline SSA uses to determine when a beneficiary has demonstrated the ability to work at a "substantial level". This guideline is currently set at \$1000 per month for people who are not blind, and \$1640 for blind individuals. There are many other factors SSA considers in addition to just looking at gross wages. During the EPE, benefits may be received for any month in which earnings fall below the SGA guideline, or for months in which the beneficiary doesn't work.
- **Phase 3: Grace Period**
Even after a beneficiary has demonstrated SGA level work, SSA still permits payments to be made for three additional months - this is the third phase of work incentives and it is called the "grace period". The first month in which SGA level work occurs after the Trial Work Period has ended is referred to as the "cessation month". This is sort of an odd name to give this month since benefits don't actually cease. SSA allows a payment to be made in this month and the two succeeding months for a total of three grace period months.

- **Phase 4: Extended Medicare**
After cash benefits have stopped, SSA still allows for the continuation of Medicare benefits through a provision known as the extended period of Medicare coverage or EPMC. This means that beneficiaries may continue to receive premium free Part A coverage and may continue to purchase Part B coverage at the same price all title II beneficiaries are charged.

While it is certainly true that there are disincentives to work that remain in the Title II Disability program, it is important to recognize that many DI beneficiaries can and do work. Additionally, Title II disability benefits have no restriction on participating in any type of IDA program, or any other savings or investment program.

Given their work and earnings potential, as well as the DI program's friendliness to assets, Title II beneficiaries are excellent candidates for an IDA!

In addition to the provisions described above, are there other opportunities for Title II beneficiaries to use work incentives strategically to support IDA participation?

Yes, there are additional incentives in the Title II Disability program that support beneficiaries' efforts to work and earn money, thus making it possible for them to participate in an IDA. They include the following:

- Impairment Related Work Expense: An Impairment Related Work Expense, or IRWE, is a work incentive that is available to both Title II and SSI beneficiaries. IRWEs are services or items that are needed by a beneficiary to work, and are incurred by that person as a result of their disability. Examples of Impairment Related Work Expenses include supported employment services, special transportation costs, medical support devices and assistive technology aids.

The purpose of the IRWE incentive is to enable beneficiaries to recover the cost of such expenses through their disability benefit. Once approved by the SSA, the dollar amount of the IRWE is deducted from the beneficiary's gross earnings in the process of determining whether earnings are substantial. By reducing the amount of earnings considered, an IRWE may make it possible for a beneficiary to continue to get their Title II disability benefit when it otherwise would stop.

- Plan for Achieving Self-Support (PASS): While the Plan for Achieving Self-Support is identified as an SSI work incentive, beneficiaries receiving Title II Disability benefits are excellent candidates for this provision as well.

PASS is an incentive that allows a person to set aside income and / or resources to use to achieve a specific work goal. When the SSA determines eligibility for SSI, it does not count income or resources that the beneficiary uses to purchase goods or services that will make it possible for them to reach their PASS goal. The PASS makes it financially feasible for the person to pay for these items or services by enabling them to recover some, or in some instances, all of the expense through an increase in SSI cash payment.

Impact of IDA Participation on SSI Benefits

As explained earlier, SSI is an economic needs-based income support program provided to eligible individuals with disabilities who have little income and few resources. SSI cash payments are intended to supplement any other income an individual may already have in order to meet minimum needs for food and shelter. Because the SSI program is means-tested, the Social Security Administration considers how much a person has in both income and resources when determining both initial and on-going eligibility for benefits.

To understand how IDAs are considered in determining SSI eligibility and payment amount, it is helpful to start with a basic understanding of the income and resources definitions and rules.

How do income and resources differ?

Income is something received within a month. Resources are what you have already as of the first day of a new month. The difference between income and resources is really one of timing. For example, someone who wins the lottery would have income the month the cash payoff is received. If the individual hadn't spent the money by the first day of the next month, the lottery money would then be considered a countable resource for that month and any additional months the funds are retained.

The basic definitions of income and resources applicable to the SSI program are:

Income is defined as any item an individual receives in cash or in-kind that can be used to meet his or her need for food or shelter. Income is counted for SSI purposes in the actual calendar month it is received.

Resources are defined as cash and any other personal property, including any real property, that an individual (or spouse, if any):

- owns;
- has the right, authority, or power to convert to cash (if not already cash); and
- is not legally restricted from using for his/her support and maintenance.

When and how is income counted in determining eligibility for SSI?

Cash and In-kind Income:

The SSI program considers income to be anything an individual receives in cash or in-kind that can be used to meet the basic needs for food or shelter. In-kind income isn't cash, but is actual food or shelter provided to the eligible individual by someone else. Under this definition, income also includes the receipt of any items SSI beneficiaries are given which can readily be converted to cash and used to obtain food and shelter. Some types of cash or in-kind items do meet SSA's definition of income, but are specifically excluded by Federal statute.

Earned and Unearned Income:

The SSI program also distinguishes between income that is earned and income that is unearned. Any cash or in-kind item that meets the SSI definition of income must be either earned income or unearned income. Earned income and unearned income are treated very differently in the SSI program so it is important that care is taken when distinguishing between these two categories.

Earned Income is any cash or in-kind item that a beneficiary receives in exchange for work performed or as remuneration for work effort. Earned income would include wages received for work as an employee, in-kind income that a person receives instead of cash for work performed, and net earnings from self-employment. This is only a partial listing of the most common forms of earned income. For a complete listing of all the different types of earned income and how SSI would treat each type, refer to the SSA Program Operations Manual System of POMS online at:

<http://policy.ssa.gov/poms.nsf/lnx/0500820000>

The definition of unearned income is very simple. Basically, SSA describes unearned income as any cash or in-kind item a person receives which is NOT earned income. Some of the common forms of unearned income include the following:

- Public benefits such as Social Security Disability or Veterans Benefits
- Private annuities or pensions

- Deemed income from a spouse or parent
- In-kind support and maintenance (food and shelter provided by others)
- Child support and alimony payments

The amount and source of all unearned income must be determined for SSI eligibility and payment purposes; however SSA does not count all of an individual's unearned income. SSA first excludes all forms of income that are required to be excluded under Federal law. Many Federal statutes in addition to the Social Security Act provide assistance or benefits for individuals with little income and few resources and specify that the assistance or benefit that they provide will not be considered in deciding eligibility for SSI. Examples include food stamps, rental subsidies, home energy assistance payments, and educational or employment grants and/or loans. Since these programs are means-tested just like the SSI program is, they are never counted as income for the SSI program.

Countable Income:

Finally, SSI is only interested in that income which is "countable" - whether it is "countable earned income" or countable unearned income". An individual's total countable income is determined after all allowable deductions or exclusions have been applied. There are myriad exclusions allowed each of the two types of income.

To determine if an individual meets the income test for eligibility and how much SSI is due for a month, the final step in the process involves subtracting the total countable income from the SSI Federal Benefit Rate. The more countable income an individual or couple has in a month, the less the SSI cash payment will be for that month. If an individual or couple has too much countable income, they will not be eligible for any SSI payment at all.

<p>Gross Monthly Income (earned and unearned) <u>Minus allowable exclusions</u> Total Countable Income</p> <p>SSI Federal Benefit Rate <u>Minus Total Countable Income</u> SSI Benefit</p>
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When and how are resources counted in determining eligibility for SSI?

In addition to having countable income below the allowable levels, individuals must also meet a resource test to establish and maintain eligibility for SSI.

SSI eligibility with respect to resources is a determination made as of the first moment of each calendar month and applies to the entire month. If countable resources are above the limit as of the first of the month, the individual is not due an SSI payment or associated Medicaid coverage for that month. If an individual has excess resources for more than twelve consecutive months, he or she would have to file a new SSI claim in order to receive SSI and provide evidence that resources have dropped below the limit.

SSI Resource Limits:

To be eligible for SSI, an individual's countable resources must not exceed \$2,000 as of the first day of a given month. If an eligible couple (two SSI beneficiaries who live together and are married to each other or presenting themselves to the community as married) receives SSI, the eligible couple's countable resources must not exceed \$3,000.

In some cases, the resources that a family member has might make an individual ineligible for SSI. If a person who is applying for SSI is married to someone who is not, the ineligible spouse's resources are assumed to be available to the eligible spouse. In this case, SSI uses the resources limit that they normally apply to eligible couples which is currently \$3,000.

If a child under age 18 lives with his/her parent(s), part of the parents' resources may be counted when determining the child's eligibility. This is called "deeming" of resources. For children under 18, the resources limit includes \$2,000 for the child, plus an additional \$2,000 if the child lives with one parent or an additional \$3,000 if the child lives with two parents. This means that for a child with living with one parent, total countable resources could not exceed \$4,000 and a child residing with two parents could not have countable resources in excess of \$5,000.

Counting Resources:

While the SSI resource limits are stringent, not everything a person owns meets the SSI definition of a resource and not all resources count against the statutory limit. The Social Security Act and other Federal statutes require the exclusion of certain types and amounts of resources. Some examples of common resource exclusions include:

- The home in which the SSI beneficiary or SSI eligible couple lives is an excluded resource.
- One car used is an excluded resource for an eligible couple or for an individual SSI beneficiary.
- Certain burial arrangements are excluded resources.

- Certain life insurance policies are excluded resources.
- The first \$2,000.00 of an ineligible parent's or alien sponsor's resources are not counted as deemed to the SSI beneficiary. If the parents or sponsors are a married couple, then \$3,000.00 of the couple's resources is excluded from counting against the child or alien.

The list of resource exclusions for the SSI program is extensive; those listed above are but a few examples.

Any assets that do meet the definition of resources but are not specifically excluded would be "countable" for SSI eligibility purposes.

Impact of AFI IDAs on SSI Eligibility

While asset accumulation is severely limited in the Supplemental Security Income program, the "good news" is that funds set aside in a federally funded IDA program (meaning the programs authorized by AFI and TANF) do NOT count toward the SSI resources limit, matching deposits do not count as income, and the account owner's deposits can actually cause the SSI benefit amount to go up. Since January 1, 2001, when SSA expanded its exemptions for funds held in TANF and AFI IDAs, there is NO negative impact on an individual's SSI benefit for participating in the federally funded IDA programs.

A Closer Look at how AFI IDAs are treated in the Income Test for SSI Eligibility:

The SSI program rules provide for the following:

- Earnings that an individual contributes to an AFI or TANF Demonstration Project IDA are deducted from wages in determining countable income.

As explained previously, to be eligible for SSI, a person must have total countable income that is less than the SSI Federal Benefit Rate. In applying the income eligibility test, the SSA will identify a person's earned and unearned income from all sources, subtract all allowable exclusions, then add the remaining income together to arrive at the total countable income. In instances where an individual is participating in an IDA, the dollar amount of earnings contributed to the IDA each month is subtracted from their gross monthly wages (or net earnings from self-employment), which generally reduces their countable earnings by half the amount that

they deposit. By reducing the amount of their countable earnings and overall total countable income, the individual may be assisted to establish eligibility for SSI when they otherwise may have had income in excess of the allowable levels.

The IDA income deduction for beneficiaries is also applied to the parent's IDA contributions in the deeming process. What this means is that if a parent establishes his or her own IDA, the earnings that they contribute to their IDA is deducted from their gross income in the deeming process. Because the parent is considered to have less countable income, it results in a smaller amount of income being deemed to the child. This may result in the child being able to establish eligibility for SSI.

- Any matching funds that are deposited in a TANF or AFI Demonstration Project IDA are excluded from income.
- Any interest earned on the individual's own contributions and on the matching funds that are deposited in a TANF or AFI Demonstration Project IDA is excluded from income.
- Disbursements from an AFI or TANF Demonstration Project IDA used for a qualified purpose (e.g., education, business capitalization or first home purchase) are excluded from income.

Parents participating in an IDA for home ownership may give or transfer ownership of the home to a child on SSI and it will only count as income in the month it is received. If it is the child's principal place of residence, the income will be valued at the 1/3 in-kind support rate for the first month, then excluded as a resource at the beginning of the following month.

- Emergency withdrawals made by a beneficiary from an AFIA or TANF IDA are considered to be loans and are therefore not counted as income for SSI purposes. (The IDA agency will determine what qualifies as an emergency withdrawal.)

A Closer Look at how AFI IDAs are treated in the Resource Test for SSI Eligibility:

Both the AFIA 2000 Amendments and TANF statute include a requirement that all federal means-tested programs disregard any assets that accumulate in an AFI or TANF IDA when determining eligibility or benefit levels. To this end, SSA established SSI program rules that provide for the following disregards:

- An individual's contributions that are deposited in an AFI or TANF Demonstration Project IDA are excluded from resources in determining both initial and ongoing eligibility for SSI.

This disregard also applies to contributions that a parent of an SSI beneficiary makes to his or her own IDA in the deeming process. Stated more simply, when a parent contributes to his or her own IDA, the money saved in the parent's IDA is not counted towards the resource limit in the deeming process.

- Any matching funds that are deposited in an AFI or TANF Demonstration Project IDA are excluded from resources.
- Any interest earned on the individual's own contributions and on the matching funds that are deposited in an AFI or TANF Demonstration Project IDA is excluded from resources.
- The savings goals that AFI or TANF accounts fund are also excluded from the SSI resource tests.

It has always been the case that the SSI program allows applicants and beneficiaries to own a home. In fact, the primary residence of an SSI beneficiary is completely excluded from consideration as a resource no matter what it is worth. It is important to note the phrase "primary residence" This means that the applicant must live in the home for it to be excluded. The parcel of land on which a home is located is also excluded, regardless of its size or value. Homeownership is and always has been an excellent way for SSI recipients to build wealth; participating in an AFI IDA makes this worthy goal all the more attainable.

SSI also permits ownership of a business through a specific resource exclusion known as "property essential for self-support" (PESS). This important self-employment incentive allows SSI recipients to accumulate unlimited assets through small business ownership – another way to build wealth.

Finally, the SSI program offers a variety of income and resource exclusions specifically designed to encourage saving for post secondary education. Specifically, SSI program rules provide that any portion of a grant, scholarship, fellowship, or gift used or intended to be used to pay the cost of tuition, fees, or other necessary educational expenses at any educational institution, including vocational and technical education, is excluded from resources for 9 months beginning the month after the

month it was received. Such funds are not income when received and are excluded from resources for the following 9 months. Additionally, the SSI program provides for an exclusion of income or resources set aside in an approved Plan for Achieving Self-Support (PASS).

Impact of AFI IDAs on SSI Payment Amount

How do work and earnings affect the SSI payment amount?

Once eligible for SSI, the amount of the SSI payment individuals receive monthly depends primarily on their total countable income. SSA uses a standard mathematical formula to determine countable income. In this formula there are numerous deductions and work incentives that are considered. As a result of these income exclusions, a beneficiary's SSI payment is not reduced dollar for dollar. What you will see is that as an individual's earnings increase, their SSI payment gradually decreases.

The following income exclusions are applied in the order that they are listed to the income of all SSI Beneficiaries:

- **General Income Exclusion or GIE:** This \$20 exclusion applies first to unearned income. If the individual does not have unearned income (or has less than \$20, the unused portion of the exclusion applies to earned income. There is only one \$20.00 General Income Exclusion (GIE) granted per month for a beneficiary or eligible SSI couple (two SSI beneficiaries who are married and living together).
- **Earned Income Exclusion or EIE:** SSA excludes the first \$65.00 of wages an individual earns.
- **Exclusion of ½ of the Remaining Earnings:** Once this amount is deducted, the remainder is divided by 2 to exclude ½ of the remaining earnings. This equals the beneficiary's total countable earned income.

Once the income exclusions are applied, the next step in the SSI payment calculation is the addition of the total countable unearned income and the total countable earned income. This equals the beneficiary's total countable income.

Finally, This total countable income is deducted from the Federal Benefit Rate (FBR) to determine the individual's SSI payment amount. (The Federal Benefit

Rate is the maximum SSI payment that an individual or couple can receive in a month. The FBR is increased each January.)

Let's take a look at an example of an SSI beneficiary who earns \$900 per month and has no other income.

Example 1		
Step 1:	<u>0.00</u> 0.00	unearned income countable unearned income
Step 2:	900.00 <u>-20.00</u> 880.00 <u>- 65.00</u> 815.00 <u>/ 2</u> 407.50	gross monthly earnings general income exclusion earned income exclusion $\frac{1}{2}$ remainder exclusion countable earned income
Step 3:	0.00 <u>+ 407.50</u> 407.50	countable unearned income countable earned income Total Countable Income
Step 4:	674.00 <u>- 407.50</u> 266.50	Federal Benefit Rate (2011) Total Countable Income SSI Payment Due

As shown in the example, because of the numerous income deductions, SSI beneficiaries will always have more money in their pocket by choosing to work. If the beneficiary in the example above chose not to work, his or her total income would be the monthly SSI payment of \$674.00 (2011). By choosing to work and earn \$900/month while receiving SSI, the total monthly income increases to \$1166.50 (\$900 gross earnings plus \$266.50 SSI).

SSI cash payments will gradually decrease as countable earnings increase and beneficiaries will continue receiving cash payments until their total countable

income increases to the point where their SSI payment is reduced to zero. In 2011, an SSI beneficiary who has no other income can earn up to \$1433 / month before losing their cash benefit!

Given the work friendly nature of the SSI program, SSI beneficiaries are well positioned to work, earn, and save in an IDA. This is particularly true of young people who receive SSI and qualify for an additional income exclusion known as the Student Earned Income Exclusion, or SEIE. The Student Earned Income Exclusion (SEIE) is a work incentive that allows certain SSI beneficiaries who are under age 22 and regularly attending school to exclude a specific amount of gross earned income each month up to a maximum annual exclusion. The student earned income exclusion (SEIE) decreases the amount of countable earned income, thus permitting SSI youth to keep more of their SSI check when they work. In many cases, the SEIE allows students to test their ability to work without experiencing any reduction in the SSI check at all! With their full SSI cash benefit and earnings each month, these young beneficiaries can benefit greatly from both the savings and financial education components of an IDA.

Will participating in an IDA have any affect on the SSI payment amount?

There is more good news for SSI beneficiaries. Not only will an individual's contribution of earnings to an IDA be deducted during the income test for eligibility, but once eligible, the deduction is also applied in the formula for determining SSI payment amount. This means that participating in a federally funded IDA program can actually allow a beneficiary to keep MORE of their SSI cash payment.

The SSI program rules allow for excluding AFI and TANF IDA contributions directly from the countable earnings. The deduction translates to lower total countable income, which in turn means that the beneficiary is due an increase in his or her cash payment.

Let's look at the example of the beneficiary above, this time with gross monthly earnings of \$900 and a monthly IDA earnings contribution of \$100.

Example 2

Step 1:	<u>0.00</u>	unearned income
	0.00	countable unearned income

This example clearly illustrates how the SSI program rules promote and enhance the ability of beneficiaries to save for asset goals and their future. Prior to beginning the IDA earnings contribution of \$100 a month, the beneficiary in the example had \$900 in gross earnings and was due an SSI payment of \$266.50. By continuing to earn \$900 a month, and contributing \$100 of these earnings to an IDA, the SSI payment due increased to \$316.50. This is an increase in the monthly SSI payment of \$50!

For all SSI beneficiaries, excluding AFI and TANF IDA contributions directly from countable earnings results in an individual recovering half of their contribution through their SSI cash benefit. This increase in monthly SSI payment makes it more feasible for beneficiaries save in their IDA while continuing to meet monthly living expenses!

What happens if an IDA ends and there are unused earnings contributions that are returned to the SSI beneficiary?

If there is unused cash reclaimed when an IDA ends that is disbursed as cash, it will be counted as income in the month that it is received. Any amount remaining at the beginning of the second month will count as a resource. There are, however, options available to prevent these funds from being counted as income and resources, and adversely affecting SSI eligibility and payment amount. The funds may be rolled over by the IDA program into a new IDA account if appropriate. Beneficiaries may also consider setting the funds aside in a Plan for Achieving Self-Support, or using the funds for other items or services not considered as countable income or resources for the SSI program.

What opportunities are available for SSI Beneficiaries to use work incentives strategically to support IDA participation?

The SSI program includes a number of work incentive provisions that enable beneficiaries who are blind or disabled to work and retain benefits or to increase their levels of work activity without the loss of SSI disability status or Medicaid. These incentives provide higher amounts of income or resource exclusions as recognition of the expenses associated with working.

- Impairment Related Work Expenses (IRWEs) and Blind Work Expenses (BWEs) support the efforts of SSI beneficiaries to work. These provisions make it possible for beneficiaries to recover money used to pay for work expenses through their SSI payment. There are requirements that must be met for an expense to be approved as an IRWE or BWE by the Social Security Administration. IRWEs must be an expense that is directly related to a disabling condition and necessary for the person to work. The BWE provision is more inclusive, in that it is not necessary for the expense to be related to the person's blindness. Any ordinary expense that can be reasonably attributed to the person's work can be approved as a BWE. While these provisions do not provide for the exclusion of resources, they do increase likelihood that beneficiaries can access and pay for the supports they need to work, resulting in earned income to contribute to an IDA.
- The Plan for Achieving Self-Support (PASS) work incentive is most similar to and complementary of IDAs in terms of providing an opportunity for beneficiaries to save for and acquire assets. PASS permits individuals to deduct countable income, or exclude resources that would otherwise reduce or eliminate the SSI payment. PASS is an agreement between the SSA and the beneficiary. The beneficiary agrees to take outlined incremental steps to achieve a specified vocational goal. The plan allows the beneficiary to use "countable income" or resources to pay for goods or

services needed in order to reach the goal. In turn, the SSA replaces the PASS expenditures by increasing the individual's SSI benefit payment. This program offers tremendous flexibility. Beneficiaries have used it to start small businesses, to pay for training, to purchase necessary equipment and to provide short-term job coaching services, in addition to other goods or services too numerous to name here. Unlike an IDA, however, a PASS cannot be used to support homeownership.

When someone writes a PASS that is approved by the SSA, the countable income or resources are excluded from affecting SSI payment amount and benefit eligibility. For example, if someone who has \$300.00 in countable income commits all of the monthly income to approved PASS expenses, the SSA will disregard the \$300 when it determines SSI eligibility and payment amount. In this case, SSI benefits would replace all \$300. The replacement is dollar for dollar, limited to the amount of the Federal Benefit Rate. Beneficiaries do not have additional income to meet living expenses, but they do have additional money to use to pay for goods or services necessary to achieve the vocational goal.

- Another SSI provision that results in the exclusion of resources is Property Essential to Self-Support, or PESS. This incentive permits beneficiaries to have resources that are used as part of a business or are necessary for self-support. PESS is particularly important for IDA participants with a goal of self-employment.

Specifically, under this rule, the SSA excludes certain resources or property that an individual or eligible couple needs for self-support. Property Essential to Self-Support (PESS) may include property used in a trade or business, non-business income-producing property and property used to produce goods or services essential to an individual's daily activities. There are different rules for considering property essential to self-support depending on whether it is income producing or not. Resources excluded under this provision generally fall into three categories as described below:

1. Business Property, or Property of an Employee - Effective May 1, 1990, all property used in the operation of a trade or business is excluded as property essential to self-support. For self-employed individuals, this includes inventory, the building where the business is housed, and cash used in operating the business, regardless of their value. The property must be in current use as defined by SSA. Personal property used by an employee for work such as tools, safety equipment, or uniforms is also excluded. These items are excluded whether or not the employer requires that the employee

have them, provided that the SSI beneficiary or applicant is currently using them.

2. Non-Business Property Used to Produce Goods or Services Essential to Daily Activities - Up to \$6,000 of the equity value of non-business property used to produce goods or services essential to daily activities is also excluded from resources. An example might be a plot of land that the family uses to produce vegetables for their own use. Another example might be livestock intended for the family's dinner table.
3. Non-Business Income-Producing Property - Finally, up to \$6,000 of the equity value of non-business income producing property can be excluded from resources if a net annual income of at least 6% of the excluded equity is produced. If the equity is greater than \$6000, SSA will count only the amount over \$6000 toward the allowable resource limit. An example of this type of property is rental property.

The rules governing PESS can be complicated and many times the local SSA office will have little experience dealing with these provisions. Assistance on claiming PESS, particularly for SSI beneficiaries who plan to be self-employed or who already own businesses, and are considering an IDA, can be obtained by contacting the local Work Incentives Planning and Assistance (WIPA) provider. To find the WIPA provider in your area, go to:

<https://secure.ssa.gov/apps10/oesp/providers.nsf/bystate>.

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