

Question: What are some advantages and disadvantages of electing early retirement vs. remaining on disability benefits?

As CWICs work with social security disability beneficiaries who are approaching retirement age, they may be asked to outline some of the advantages and disadvantages of taking early retirement benefits instead of remaining on disability benefits. There can be serious ramifications to switching over to the early retirement system. When counseling any beneficiary, it is important for CWICs to remember that the purpose of the WIPA program is to promote employment and enhance self-sufficiency. Therefore, if an inquiry regarding the decision to switch to early retirement is received by an eligible beneficiary who has no interest in working, the CWIC should refer this person to SSA for guidance.

The decision about whether or not to convert to early retirement benefits is a complex, multi-faceted one. While CWICs are not expected to provide in-depth counseling on this subject, they can provide beneficiaries with relevant information to assist them in their decision. However, SSA staff is trained to provide guidance in this area, and CWICs will want to encourage beneficiaries to have a more in-depth conversation with SSA staff before making this important decision.

The main disadvantage to early retirement benefits is that it will generally result in a reduced monthly benefit. SSA has a publication entitled "When to Start receiving Retirement Benefits" (Publication # 05-10147) that explains this reduction. Another difference between the retirement and disability program is the way in which work activity is treated. Since the beneficiary is considered retired, SSA no longer uses the concept of Substantial Gainful Activity (SGA) when assessing worth of work. Rather, the Annual Earnings Test is used. In a nutshell, this test allows the beneficiary to earn up to a certain annual income, after which there will be a reduction in benefits. If the beneficiary is under full retirement age, his/her benefit will be reduced by \$1 for every \$2 earned above this annual limit. In the year the beneficiary reaches full retirement, his/her benefit will be reduced \$1 for every \$3 he/she earns above the annual limit, which is a higher limit than in previous years. Once full retirement age is attained, there is no longer an annual limit on earnings. SSA's publication entitled, "What You Need To Know When You Get Retirement or Survivors Benefits" (Publication # 05-10077) outlines the annual earnings test and lists the annual earnings amounts for the current year.

Even though they would receive a reduced benefit, some beneficiaries may find the annual earnings test to be advantageous, as compared to working above SGA and having their cash payment cease. POMS RS 00615.000 - Reduced RIB as affected by DIB (A-HA) discusses several important points regarding converting back and forth between benefits. Entitlement to one benefit does not terminate entitlement to the other. Therefore, if the beneficiary elects to receive early retirement and then decides that the disability benefit would be more advantageous, he/she may elect to begin receiving it again.

Should their circumstances change after they have made the switch to early retirement, beneficiaries may elect to receive disability benefits again (or vice versa). This allows them the flexibility of determining which system gives them the most benefit in their current situation. The

CWIC should not try to make benefit computations or try to compute the family maximum. Rather, refer the beneficiary to SSA.

If Worker's Compensation or Public Disability Benefit (WC/PDB) offset or the disability family maximum apply, the reduced RIB may yield larger total family benefits. If the WC/PDB ends or auxiliaries are no longer entitled, the beneficiary may elect to receive DIB to maximize his/her personal benefits.

Implicit in the statement that entitlement to one benefit does not terminate entitlement to the other is the question of Medicare entitlement. If a beneficiary is entitled to Medicare under a DIB benefit and elects early retirement, Medicare entitlement continues as long as he/she is entitled to DIB.

A person between 62 and FRA may file claims for both SSDI and Retirement Insurance Benefits (RIB) at the same time. This normally happens when, in filing for just RIB, a person responds affirmatively to the question on the application asking if he or she is disabled. If SSA finds the person disabled with an SSDI date of entitlement later than the date of entitlement for a reduced RIB, then the SSDI payment will be reduced by the number of months of RIB entitlement. SSA calls this "DIB after RIB" (See POMS 46001.005).

In awarding the RIB, SSA will also use a "freeze" recalculation that excludes the period of disability if it is to the person's advantage. With a "freeze," a worker's earnings are set or fixed at the time that person qualifies for a period of disability, so that any years of non-work due to a disability are not used in the benefit calculation. This preserves the individual's insured status and prevents the loss of future retirement or disability benefits which may be computed without considering periods of disability. On the other hand, if a beneficiary works after becoming entitled to SSDI and has years of earnings that are higher than earlier years, that will increase the beneficiary's benefit SSA will include those later years (See POMS 26001.005).

In conclusion, although electing to take early retirement results in a reduced monthly payment, there are instances where beneficiaries may decide it is in their best interest to do so. The role of the CWIC in this situation is to provide some general information, especially as it pertains to employment and financial outcome. Since this is a complex and individualized topic, the CWIC should refer the beneficiary to SSA for further discussion prior to making this important decision.