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Are Social Security Disability Benefits Set for Life?

Once SSDI begins, is there any way to increase the benefit amount? Retirement Daily expert Heather Schreiber explains how these benefits are determined and if they can be changed.

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By Heather Schreiber, RICP

Monthly payments received under Social Security Disability Insurance (SSDI) are generally set for as long as the disability continues, other than any cost-of-living adjustments. There is an opportunity to eventually defer benefits in return for more cash flow in the future, but the tradeoffs can make this decision challenging, as explained below.

Heather Schreiber

SSDI basics

Getting a favorable SSDI award is not easy to come by. Applicants must meet a strict definition of disability; broadly, you must be unable to earn substantial amounts from work because of a medically determined physical or mental impairment; your condition must also be expected to result in death or be expected to last for at least 12 continuous months. SSDI recipients also must pass a duration-of-work and a recency-of-work test, demonstrating how long you've paid into Social Security and when those earnings took place.

Nevertheless, millions of people have qualified, either on a first disability claim or via SSDI's formal appeals process. Roughly 18% of all Social Security beneficiaries were disabled individuals and certain family members in 2019. Potential recipients include the disabled worker's minor children, spouses caring for dependent children under age 16, and spouses 62 or older.

Calculating the benefits

SSDI payouts are equivalent to an individual's anticipated Social Security retirement benefit at your full retirement age. Specifically, the amount you would receive on SSDI is based upon your lifetime average covered earnings prior to the onset of disability, referred to as your Average Indexed Monthly Earnings (AIME). The AIME, in turn, is used to compute your primary insurance amount (PIA), the payment you would receive by starting Social Security at full retirement age (FRA), now ranging from 66 to 67, depending on your year of birth. (To determine your FRA, visit SSA.gov.)

For retirement benefits, the PIA is based upon your highest 35 years of indexed earnings. If someone has fewer than 35 years of covered earnings, a zero is substituted for each year shy of 35.

Now for the good news. Monthly SSDI benefits are calculated using the same PIA formula, with no reduction for an early claim. With retirement benefits, claiming before FRA reduces the monthly payout by as much as 30%. Thus, disabled individuals get a retirement-like income stream from SSDI. That said, the more years of covered earnings, the higher the SSDI monthly benefit a disabled person or dependent relative can expect to receive.

The average monthly SSDI benefit is $1,277 in 2021, with most payments ranging from $800 to $1,800 per month, depending upon earnings history and age at disability onset. The average age for disability onset is 55.

Changing Time

Disability claims are no longer permitted once a claimant reaches FRA. Moreover, those receiving SSDI benefits will see their payments automatically converted to retirement benefits upon reaching this milestone.

If you are on SSDI, no action is required on your part for this conversion to occur. After the re-classification, your monthly Social Security benefit amount generally will stay the same as your SSDI payment has been.

Some SSDI recipients may confuse the age at which this disability-benefit to retirement-benefit switch occurs, ranging from 66 to 67, with Medicare-eligibility age: commonly 65. However, age 65 is not a vital age for SSDI claimants who have been collecting SSDI benefits for 24 months or longer. This is because, once you have been collecting SSDI for at least 24 months, you automatically will be enrolled in Medicare, even if you are younger than 65. If you are diagnosed with ALS, your enrollment into Medicare will coincide with the first month your SSDI payments begin.

Sooner or later

As mentioned above, SSDI enrollees have the opportunity to increase payouts. Once you have reached FRA, you can elect to voluntarily suspend your benefits and resume them at a later date, up to age 70. For each month of suspension, you may earn 2/3 of 1%, up to 8% per 12 months of suspended benefits.

Let’s look at an example: Suppose Ken, age 64, was deemed disabled at age 57. His current monthly benefit is $1,322. At his FRA of 66 and 6 months, his benefit will automatically be reclassified to a retirement benefit.

Once he reaches his FRA and his disability benefit becomes a retirement benefit, Ken may suspend his benefit by contacting Social Security. Say Ken suspends his benefit for 42 months, to age 70. He’ll resume his retirement benefit then, at $1,692 per month, an increase of 27.99% from his former monthly benefit.

With this tactic, Ken forgoes 42 months of receiving $1,322, for a total of $55,524. In return, his retirement benefit rises by $370 a month—an increase that also might be enjoyed by a surviving spouse. Without including any time value of money, the breakeven point for Ken alone would be after 150 months, or 12-1/2 years, when Ken would be age 82 and six months.

Making the details behind such a decision even more devilish, benefits being paid to anyone on Ken’s work record also will be suspended until Ken re-applies for his benefit. Factors such as life expectancy, marital status, age of any dependent children, and any Social Security benefits owed on a spouse's work record should be considered when deciding whether to stop benefits temporarily and then reap the rewards, later in life.

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Heather Schreiber, RICP®, president of HLS Retirement Consulting, is a nationally recognized keynote speaker and consultant on retirement-related topics including Social Security as an integral component in developing a holistic retirement income strategy. Heather is the author of *Social Security Advisor*, a monthly newsletter designed to educate the public on this critical income source, and has been quoted in *Forbes*, *USA Today*, and *ThinkAdvisor*.

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