

Social Assistance

Social Security: How does it all work?

Almost 785,600 persons in New Hampshire contributed just shy of \$3.6 billion in Social Security taxes in 2010.¹ Individuals usually become acquainted with Social Security with their very first paycheck, contributing to this fund immediately, even though retirement may be decades away. Recent news stories have expressed concern about the pending insolvency of Social Security, and how it might not be around for future generations when they reach retirement age.

What benefits are actually paid for with our Social Security tax deductions? What is included under the umbrella of “Social Security”? The acronym “OASDI” is frequently referenced together with Social Security in newspapers, on television, or on the Internet. What exactly is OASDI and what does it have to do with Social Security?

Social Security and OASDI are referenced together because OASDI stands for “Old Age Survivors and Disability Insurance” and is the official name for what is commonly referred to as Social Security. Mandatory Social Security taxes are deducted from most workers’ paychecks. These taxes are used to pay for three types of benefits: retirement, disability, and survivors benefits. Eligibility for these benefits is dependent on having earned enough work “credits.” Social Security work credits are earned when Social Security payroll taxes are deducted. How many credits are needed to qualify for benefits? That depends on an individual’s date of birth. Anyone participating in the work force born after 1929 would need to have 40 Social Security work credits, which is the equivalent of 10 years of work.

Retirement is the first type of benefit that Social Security payroll taxes finance. Individuals are entitled to full retirement benefits when “full retirement age” is reached, but eligibility for reduced benefits can be as early as 62 years if a sufficient number of years have been worked. For those born before 1938, the full retirement age is 65 years. The full retirement age gradually rises until it reaches 67 years for people born in 1960 or later (see table). If retirement is delayed beyond what is considered full retirement age, then credit will be received for each month retirement is postponed beyond full retirement age up to the age of 70 years. For example, an individual born in 1962 reaches full retirement age at 67 years. If they choose to delay retirement until the age of 70 years, they will accrue credits for 36 months, resulting in an increase in the monthly retirement benefit. However, delaying retirement until 72 years of age will not accrue additional credits beyond the 36 months.

Age of eligibility to receive full Social Security benefits

Year of birth	Full Retirement age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

NOTE: People who were born on January 1 of any year should refer to the previous year.

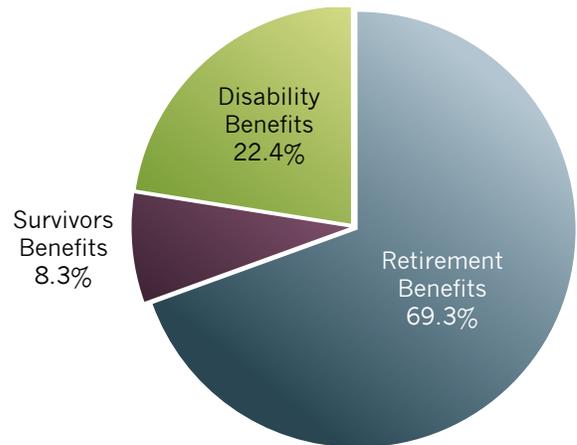
1. Social Security Administration. Table 3. Number of persons with Social Security (OASDI) taxable earnings, amount taxable, and contributions, by county, sex, and type of earnings, 2010. <www.socialsecurity.gov/policy/docs/statcomps/eedata_sc/index.html>.

The second type of benefit paid by payroll tax deductions is Disability benefits. Social Security Disability benefits are available to individuals with adequate work credits and some family members. Medical conditions eligible for disability benefits include, but are not limited to, diagnosis of severe mental impairment, and life threatening or long-term medical conditions which would restrict an individual's ability to work for more than a year.

The third type of benefit provided through payroll tax deductions is Survivor's Benefits. Upon death, specific family members may be eligible to collect benefits. Potentially eligible family members include spouse (even in the event of divorce at the time of death), children, and dependent parents.

Preliminary data for calendar year 2012 indicates that a total of 271,189 individuals in New Hampshire received benefits from the Social Security Administration, totalling \$327,226,000. Of that amount, \$242,380,000 was paid out for Retirement benefits to 187,961 individuals (including spouses and children); \$26,009,000 was paid to 22,502 individuals for Survivor's benefits; and, \$58,836,000 was paid in Disability benefits to 60,726 individuals (including spouses and children).²

New Hampshire OASDI Recipients by Type 2012



Medical Benefits

Medicare is a health insurance program and is administered by the United States Department of Health and Human Services. It works in conjunction with the Social Security Retirement and Disability programs. People age 65 and over, regardless of retirement status, and people who are disabled or have permanent kidney failure, are eligible for Medicare. There are four parts to the Medicare program:

- Part A:** Hospital insurance that pays for inpatient care and certain follow-up services
- Part B:** Medical insurance that pays for doctor's services, outpatient hospital care, and other medical services
- Part C:** Referred to as Medicare Advantage, it is for people who have Medicare Part A and B and choose to receive all health care services through a provider organization
- Part D:** Prescription drug coverage

Individuals receiving Social Security benefits will automatically receive Part A Hospital insurance upon turning age 65 years. Part B coverage also starts automatically unless the individual resides in Puerto Rico or a foreign country, in which case the benefit is elective. Coverage under Medicare Parts C and D is also elective. Part C plans are offered by private insurers with different services, and may have a separate premium. Private insurers also offer Part D prescription coverage, and premiums, deductibles, co-pays, covered drugs, and participating pharmacies may differ.

For additional information, visit the Social Security website at www.ssa.gov, or contact a Social Security office in your area.

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2. Social Security Administration. <www.socialsecurity.gov/policy/docs/progdesc/ssi_st_asst/>.

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