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# An Overview of Social Security Benefits

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## What Is Social Security?

Social Security is a system of social insurance benefits available to all covered workers in the United States. Begun in 1937, the Social Security system covers a wide range of social programs. The term “Social Security,” as it is commonly used, refers to the benefits provided under one part of the system, known by its acronym, OASDI, or Old-Age, Survivors, and Disability Insurance.

OASDI benefits are funded primarily by payroll taxes paid by covered employees, employers, and self-employed individuals. Both the OASDI portion of the payroll tax, as well as that part of the tax that goes to finance hospital insurance, HI (Medicare), are provided for under the Federal Insurance Contributions Act, FICA.

## Insured Status

To qualify for benefits, a worker must be either “fully” insured or “currently” insured. An insured status is acquired by earning “credits”, based on the wages or self-employment income earned during a year. In 2024, an individual must earn \$1,730 in covered earnings to receive one credit and \$6,920 to earn the maximum of four credits for the year.

A worker generally becomes fully insured by earning 40 credits, typically by working 10 years in covered employment.<sup>1</sup> To be considered currently insured, a worker must have at least six credits in the last 13 calendar quarters, ending with the quarter in which he or she became entitled to benefits.

All benefits are available if a worker is fully insured. Some benefits are not available if the worker is only currently insured. Special requirements apply to disability benefits.

## What Benefits Are Available?

- **Worker’s benefit:** This is a monthly income for a retired or disabled worker.
- **Spouse’s benefit:** Refers to monthly income for the spouse or former spouse of a retired or disabled worker.

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<sup>1</sup> For those working less than 10 years, an alternative test to determine fully-insured status may apply.

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- **Widow(er)'s benefit:** Refers to monthly retirement income for the surviving spouse or former spouse of a deceased worker.
- **Child's benefit:** A monthly income for the dependent child of a deceased, disabled, or retired worker. To qualify, a child must be under age 18, or 18 or 19 and a full-time elementary or high school student, or 18 or over and disabled before 22.
- **Mother's or father's benefit:** Monthly income paid to a surviving spouse who is caring for a worker's dependent child who is under age 16 or disabled before age 22. If under age 62, the spouse of a retired worker receives the same benefit.
- **Parent's benefit:** Monthly income paid to the surviving dependent parent or dependent parents of a deceased worker.

### On What Is the Amount of a Social Security Benefit Based?

In general, a covered worker's benefits, and those of his or her family members, are based on the worker's earnings record. The earnings taken into account are only those reported to the Social Security Administration (SSA), up to a certain annual maximum known as the "wage base." The wage base is indexed for inflation each year and effectively places a cap on the amount of Social Security benefits a worker can receive, regardless of earnings. The wage base for 2024 is \$168,600.<sup>1</sup>

Using a worker's earnings record, the SSA calculates a number known as the Primary Insurance Amount, or PIA. The PIA is the basic value used to determine the dollar amount of benefits available to a worker and his or her family.

### What Is the Benefit Amount?

The table below summarizes the benefit amounts generally payable under OASDI in the event of a worker's death, disability, or retirement. All monthly benefit amounts are subject to reduction to meet a "family maximum" limit. Individual benefits may also be reduced if the recipient has earned income in excess of specified limits.

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<sup>1</sup> The wage base for 2023 was \$160,200.

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	Death <sup>1</sup>	Disability <sup>2</sup>	Retirement <sup>3</sup>
Worker's benefit		100% of PIA	100% of PIA
Spouse's benefit	N/A	50% of PIA	50% of PIA
Widow(er)'s benefit	100% of PIA	N/A	N/A
Child's benefit	75% of PIA	50% of PIA	50% of PIA
Mother's or father's benefit	75% of PIA	50% of PIA	50% of PIA
Parent's benefit	82.5% of PIA <sup>4</sup>	N/A	N/A

Workers age 60 or older and who are not receiving Social Security benefits automatically receive a paper Social Security Statement each year, listing the worker's earnings as well as providing estimated retirement, disability, and survivors benefits.

Earnings information may also be verified by calling the SSA directly at (800) 772-1213; TTY (800) 325-0778, Monday through Friday, 7:00AM to 7:00PM. On the internet, the SSA can be found at <https://www.ssa.gov/>.

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<sup>1</sup> Reduced widow(er)'s benefits are available at age 60.

<sup>2</sup> Disability benefits are subject to a very strict definition of disability. At full retirement age (FRA), disability benefits cease and retirement benefits begin.

<sup>3</sup> Unreduced benefits are available at FRA. For those born before 1938, FRA is age 65. For individuals born after 1937, FRA gradually increases from age 65 to age 67. For example, for baby boomers born between 1943 -1954, FRA is age 66. A larger retirement benefit is available to those who continue to work past FRA.

<sup>4</sup> If one parent qualifies, the benefit is 82.5% of the PIA. If both parents qualify, the benefit is 75% of the PIA to each.

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# Disclosure Notice

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