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How changes in Social Security could affect all of us

Changes and proposed changes to Social Security have been in the news at Elder Law Answers (www.elderlawanswers.com) and in Elder Law FAX (www.tn-elderlaw.com). It is important for any adult American to watch these changes carefully, both for themselves, and for older persons that you might be assisting with their finances.

Tim Takacs in Elder Law FAX reports on the federal rule that mandates electronic fund transfers (EFTs) for all federal government benefits (Social Security, Veterans Administration benefits, etc.) starting for applications on or after May 1, 2011. In other words, no one *applying* for federal government benefits may elect to have a paper check mailed to them after May 1, 2011. Moreover, people currently receiving federal benefits by check will be required to switch to EFT option by March 1, 2013. You can sign up for direct deposit of federal benefits at www.godirect.org.

Those who do not choose an electronic payment option upon application, or by the 2013 deadline, will receive their benefit payments via Direct Express® Debit Master Card®, which is a prepaid debit card program. These cards offer many protections, and limited fees. Additional information is available on the Direct Express® website. This type of card might be ideal for some persons; however, many people may find it challenging to manage.

The EFT requirement is waived for recipients born prior to May 1, 1929. There are also criteria for requesting a waiver if this requirement creates a hardship due to mental impairment or remote geographic location. Of course, the use of the prepaid debit card system can be circumvented by utilizing direct deposit into a bank account already in existence.

A change is Social Security that is being considered, but for which there is no current law, is to increase the early retirement age (currently age 62 years) or the full retirement age (currently age 66 years for those born before 1955; for those born in 1955 or later, it is age 67 years). In order to manage Social Security's long term solvency, this is one of the options being considered to save money. However, the Government Accountability Office (GAO) analysis indicates that raising the early retirement age and/or increasing the full retirement age may increase dramatically the number of workers who apply for Social Security Disability Insurance (SSDI).

SSDI is available to people who are unable to work for a year or more due to disabilities. Payments continue until the person is able to return to work, or reaches full retirement age. Benefits are not reduced as they are if you choose the early retirement option. Some workers cannot continue to work if they are forced to wait many years longer to retire, due to disabilities or a physically demanding job that is becoming increasingly difficult to manage with advancing years. Some other workers who may not be able to work to an older retirement age have less education and lower household income. Raising the full retirement age may create a financial incentive to apply for disability benefits, increasing the overall cost of Social Security.

Watch carefully for changes in Social Security, and whether our lawmakers are looking at the whole picture before making changes.