

ILLUSTRATIVE BENEFITS FOR RETIRED WORKERS, DISABLED WORKERS, AND SURVIVORS SCHEDULED UNDER CURRENT LAW

by Michael Clingman, ASA, Kyle Burkhalter, FSA, and Chris Chaplain, ASA

The Social Security program provides monthly benefits to retired workers and their families, disabled workers and their families, and survivors of workers. The *progressivity* of the Social Security benefit formula provides individuals who have lower career-average earnings with monthly benefits that are a higher percentage of their career-average earnings than the percentage for those who have higher career-average earnings. For a group of *example workers* with a range of full-lifetime average earnings levels¹ at various ages in 2020, this note displays their current earnings at various ages in 2019, their full-lifetime average earnings, and the amounts they would expect to receive at benefit entitlement.

The assumptions underlying the attached tables are similar to those used in the annual Social Security Statement available online to workers and former workers aged 18 and older. The benefit amounts are calculated as specified in current law. The amounts reflect no increase in price levels or in average wage levels after 2019. Thus, the benefit estimates for workers at various ages in 2020 who would be retiring in future years are roughly comparable to their potential benefits as disabled workers and for their survivors, which both assume benefit entitlement in 2020.

All example workers, except the steady maximum worker,² have scaled earnings patterns beginning at age 21. These patterns reflect the actual average work experience of fully insured workers during 1997-2016. These patterns show relatively low wages and probability of work at young and old ages and higher relative wages and probability of work at mid-career.³ A worker is considered *fully insured* if he or she has a total number of quarters of coverage (QCs)⁴ at least equal to the number of years after attainment of age 21 through the last year considered in the analysis (in this case 2016). A further requirement is that the worker must have a minimum of 6 QCs. Since a worker achieves *permanently insured* status with 40 QCs, any worker with 40 QCs is fully insured no matter how many years have elapsed since age 21. Any *fully insured* worker is likely to become eligible for a Social Security retirement benefit if he or she survives to eligibility age. After 2019, earnings levels for workers illustrated in this note increase or decrease due solely to the scaled earnings pattern, and not due to changes in the average wage level.

The following four tables show estimated future benefits consistent with earnings in 2019 and age in 2020. Each table lists *earnings in 2019* at various ages and *annual benefit amounts* at entitlement for example workers with full-lifetime average

¹ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2019) expected for the illustration assuming that the worker survives to age 65 without becoming disabled.

² For the steady maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI benefit and contribution base) for each year through 2019. Earnings after 2019 are assumed to equal the taxable maximum of \$132,900 for 2019.

³ For more details on development of the scaled earnings patterns, see Actuarial Note Number 2020.3 at: <http://www.ssa.gov/OACT/NOTES/ran3/an2020-3.pdf>.

⁴ The QC is the basic unit for determining whether a worker is insured for Social Security benefits. In 2020, for example, a worker needed to have \$1,410 in covered earnings to obtain a QC. Workers can earn up to 4 QCs per calendar year. Since 1978, the amount of covered earnings required to obtain a QC has been automatically indexed each year with the growth in average wage levels. See: <http://www.ssa.gov/OACT/COLA/QC.html> for more information, including a list of historical QC amounts.

earnings levels¹ of \$15,000, \$30,000, \$45,000, \$60,000, \$75,000, \$90,000, and the taxable maximum. As mentioned above, the benefit amounts assume no increase in price levels or in average wage levels after 2019. Additional information about each table is provided below.

- **Table 1A: Retired Workers Who Become Entitled at Normal Retirement Age (NRA).**

This table also shows the percentage of fully insured workers with full-lifetime average earnings at or below each of the seven full-lifetime average earnings levels. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were fully insured in 2016. For this purpose, comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$15,000, \$30,000, ... , maximum full lifetime average earnings levels. The illustrative benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children. The NRA increased to 66 for those attaining age 62 in 2005, and it is currently increasing further beginning with those attaining age 62 in 2017, reaching 67 for those attaining age 62 in 2022 and later.

- **Table 1B: Retired Workers Who Become Entitled at Age 65.** The only difference between table 1B and table 1A is that the example workers retire at age 65 rather than at NRA, resulting in lower benefit amounts due to reduction for early retirement. The illustrative benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children.

- **Table 2: Disabled Worker Annual Benefit Amounts.**

For the seven full-lifetime average earnings levels, table 2 provides benefit amounts assuming benefit entitlement in 2020 for disabled example workers aged 25, 35, 45, and 55. In addition, the table provides the percentage of disability insured⁵ workers with full-lifetime average earnings at or below each full-lifetime average earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were disability insured in 2017. The illustrated benefits are for workers only. Additional benefits may be available for auxiliary beneficiaries such as spouses and dependent children.

- **Table 3: Survivor Annual Benefit Amounts.**

For the seven full-lifetime average earnings levels, table 3 provides benefit amounts assuming that the deceased example workers would have attained ages 25, 35, 45, or 60 just before dying in 2020. In each case, we assume the surviving spouse is the same age as the deceased worker and that he or she becomes entitled to benefits in 2020. The table provides benefit estimates for three scenarios of survivor beneficiaries: (1) spouse and one child (spouse only for the age 60 case), (2) one child only, and (3) spouse and two children. Because of the family maximum benefit provision, annual benefit amounts for a *spouse and two children* are the same as, or only moderately higher than, benefit amounts for a *spouse and one child*. In addition, the table provides the percentage of fully or currently insured⁶ workers with full-lifetime average earnings at or below each full-lifetime average earnings level. We base these percentages on the earnings of a one-percent sample of individuals, aged 25 through 65, who were fully or currently insured in 2017.

⁵A worker is *disability insured* if he or she is: (1) a fully insured worker who has accumulated 20 quarters of coverage during the 40-quarter period ending with the current quarter, (2) a fully insured worker aged 24-30 who has accumulated quarters of coverage during one-half of the quarters elapsed after the quarter of attainment of age 21 and up to and including the current quarter, or (3) a fully insured worker under age 24 who has accumulated six quarters of coverage during the 12-quarter period ending with the current quarter.

⁶A worker is *currently insured* if he or she has accumulated six quarters of coverage during the 13-quarter period ending with the current quarter.

Table 1A. Retired Worker Annual Benefit Amounts¹ Scheduled in Current Law

For Fully Insured² Workers at Various Ages Who Become Entitled at Normal Retirement Age (NRA) With Various Full-Lifetime Earnings Patterns³

Age in 2020	Age at benefit entitlement (NRA)	Earnings in 2019 and benefit at entitlement (NRA)							
25	67	<i>Earnings in 2019.....</i>	\$8,041	\$16,082	\$24,123	\$32,165	\$40,206	\$48,247	\$132,900
		<i>Benefit at entitlement ...</i>	11,676	16,476	21,276	26,076	30,300	32,544	38,988
35	67	<i>Earnings in 2019.....</i>	14,374	28,747	43,121	57,495	71,868	86,242	132,900
		<i>Benefit at entitlement ...</i>	11,676	16,476	21,276	26,076	30,300	32,544	39,072
45	67	<i>Earnings in 2019.....</i>	16,253	32,507	48,760	65,014	81,267	97,521	132,900
		<i>Benefit at entitlement ...</i>	11,676	16,476	21,276	26,076	30,300	32,544	39,108
55	67	<i>Earnings in 2019.....</i>	16,076	32,152	48,229	64,305	80,381	96,457	132,900
		<i>Benefit at entitlement ...</i>	11,676	16,476	21,276	26,076	30,300	32,544	39,084
65	66 and 2 mos.	<i>Earnings in 2019.....</i>	11,392	22,784	34,176	45,568	56,960	68,352	132,900
		<i>Benefit at entitlement ...</i>	11,148	15,744	20,340	24,936	28,920	31,068	37,260
Full-lifetime average earnings level⁴			15,000	30,000	45,000	60,000	75,000	90,000	Maximum
Percent of fully insured workers with career average earnings at this level or below ⁵			13	33	52	68	79	86	100

¹ The assumptions underlying the above benefit estimates are similar to those used for the Social Security Statement. These estimates reflect no increase in the cost of living or average wage and earnings levels after December 2019. However, earnings after 2019 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for [table V.C7](#) of the 2020 Trustees Report.)

² A worker is *fully insured* if he or she has a total number of quarters of coverage (QCs) at least equal to the number of years after attainment of age 21 through the last year considered in the analysis (in this case 2016), or through age 62 if earlier, and has a minimum of 6 QCs.

³ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of fully insured workers during 1997-2016. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI contribution and benefit base) for each year through 2019. (For 2019, this amount was \$132,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2020.3 at: <http://www.ssa.gov/OACT/NOTES/ran3/an2020-3.pdf>.

⁴ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2019) expected for the illustration assuming the worker survives to age 65 without becoming disabled.

⁵ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully insured in 2017. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$15,000, \$30,000, ... , maximum full lifetime average earnings levels.

Table 1B. Retired Worker Annual Benefit Amounts¹ Scheduled in Current Law
 For Fully Insured² Workers at Various Ages Who Become Entitled at Age 65 With Various Full-Lifetime Earnings Patterns³

Age in 2020	Age at benefit entitlement		Earnings in 2019 and benefit at entitlement (Age 65)						
25	65	<i>Earnings in 2019.....</i>	\$8,041	\$16,082	\$24,123	\$32,165	\$40,206	\$48,247	\$132,900
		<i>Benefit at entitlement</i>	10,116	14,280	18,432	22,596	26,256	28,200	33,792
35	65	<i>Earnings in 2019.....</i>	14,374	28,747	43,121	57,495	71,868	86,242	132,900
		<i>Benefit at entitlement</i>	10,116	14,280	18,432	22,596	26,256	28,200	33,864
45	65	<i>Earnings in 2019.....</i>	16,253	32,507	48,760	65,014	81,267	97,521	132,900
		<i>Benefit at entitlement</i>	10,116	14,280	18,432	22,596	26,256	28,200	33,888
55	65	<i>Earnings in 2019.....</i>	16,076	32,152	48,229	64,305	80,381	96,457	132,900
		<i>Benefit at entitlement</i>	10,116	14,280	18,432	22,596	26,256	28,200	33,852
65	65	<i>Earnings in 2019.....</i>	11,392	22,784	34,176	45,568	56,960	68,352	132,900
		<i>Benefit at entitlement</i>	10,284	14,520	18,756	22,992	26,676	28,656	34,284
Full-lifetime average earnings level⁴.....			15,000	30,000	45,000	60,000	75,000	90,000	Maximum
Percent of fully insured workers with career average earnings at this level or below ⁵			13	33	52	68	79	86	100
<p>¹ The assumptions underlying the above benefit estimates are similar to those used for the Social Security Statement. These estimates reflect no increase in the cost of living or average wage and earnings levels after December 2019. However, earnings after 2019 follow scaled earnings patterns as age increases. (These assumptions are not consistent with those used for table V.C7 of the 2020 Trustees Report.)</p> <p>² A worker is <i>fully insured</i> if he or she has a total number of quarters of coverage (QCs) at least equal to the number of years after attainment of age 21 through the last year considered in the analysis (in this case 2016), or through age 62 if earlier, and has a minimum of 6 QCs.</p> <p>³ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of fully insured workers during 1997-2016. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI contribution and benefit base) for each year through 2019. (For 2019, this amount was \$132,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2020.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2020-3.pdf.</p> <p>⁴ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2019) expected for the illustration assuming the worker survives to age 65 without becoming disabled.</p> <p>⁵ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully insured in 2017. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$15,000, \$30,000, ... , maximum full lifetime average earnings levels.</p>									

Table 2. Disabled Worker Annual Benefit Amounts

For Disability Insured¹ Workers Entitled in 2020 at Selected Ages and With Various Full-Lifetime Earnings Patterns²

Age at benefit entitlement in 2020	Earnings in 2019 and benefit at entitlement in 2020							
25	<i>Earnings in 2019</i>	\$8,041	\$16,082	\$24,123	\$32,165	\$40,206	\$48,247	\$132,900
	<i>Benefit at entitlement</i>	5,940	10,908	13,020	15,144	17,256	19,368	38,136
35	<i>Earnings in 2019</i>	14,374	28,747	43,121	57,495	71,868	86,242	132,900
	<i>Benefit at entitlement</i>	10,308	14,016	17,676	21,348	25,020	28,692	38,160
45	<i>Earnings in 2019</i>	16,253	32,507	48,760	65,014	81,267	97,521	132,900
	<i>Benefit at entitlement</i>	11,064	15,456	19,848	24,240	28,632	30,828	37,992
55	<i>Earnings in 2019</i>	16,076	32,152	48,229	64,305	80,381	96,457	132,900
	<i>Benefit at entitlement</i>	11,352	16,044	20,724	25,404	29,448	31,644	37,872
Full-lifetime average earnings level³		15,000	30,000	45,000	60,000	75,000	90,000	Maximum
Percent of disability insured workers with career average earnings at this level or below ⁴		7	26	47	65	77	85	100

¹ A worker is *disability insured* if he or she is: (1) a fully insured worker who has accumulated 20 quarters of coverage during the 40-quarter period ending with the current quarter, (2) a fully insured worker aged 24-30 who has accumulated quarters of coverage during one-half of the quarters elapsed after the quarter of attainment of age 21 and up to and including the current quarter, or (3) a fully insured worker under age 24 who has accumulated six quarters of coverage during the 12-quarter period ending with the current quarter.

² Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of fully insured workers during 1997-2016. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI contribution and benefit base) for each year through 2019. (For 2019, this amount was \$132,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2020.3 at: <http://www.ssa.gov/OACT/NOTES/ran3/an2020-3.pdf>.

³ The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2019) expected for the illustration assuming the worker survives to age 65 without having become disabled.

⁴ Based on a 1% sample of actual earnings histories for individuals aged 25 to 65 who were disability insured in 2017. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$15,000, \$30,000, ... , maximum full lifetime average earnings levels.

Note: These estimates reflect no increase in the cost of living after December 2019.

Table 3. Survivor Annual Benefit Amounts

For Survivors Entitled in 2020 at Selected Ages and With Various Full-Lifetime Earnings Patterns of the Deceased Spouse¹

Age of deceased spouse in 2020	Age of surviving spouse in 2020	Benefit at entitlement in 2020 and deceased spouse's earnings in 2019							
25		<i>Spouse and one child.....</i>	\$9,840	\$17,016	\$20,520	\$24,048	\$27,552	\$31,056	\$57,480
	25	<i>Child only.....</i>	4,920	8,508	10,260	12,024	13,776	15,528	28,740
		<i>Spouse and two children...</i>	9,840	17,028	20,532	25,656	32,016	38,376	67,080
		<i>Earnings of deceased spouse in 2019....</i>	8,041	16,082	24,123	32,165	40,206	48,247	132,900
35		<i>Spouse and one child.....</i>	16,008	22,008	27,984	33,984	39,984	44,568	57,456
	35	<i>Child only.....</i>	8,004	11,004	13,992	16,992	19,992	22,284	28,728
		<i>Spouse and two children.....</i>	16,008	22,008	32,820	41,724	47,076	52,008	67,044
		<i>Earnings of deceased spouse in 2019....</i>	14,374	28,747	43,121	57,495	71,868	86,242	132,900
45		<i>Spouse and one child.....</i>	16,704	23,400	30,096	36,792	43,392	46,536	57,048
	45	<i>Child only.....</i>	8,352	11,700	15,048	18,396	21,696	23,268	28,524
		<i>Spouse and two children.....</i>	16,704	24,492	36,624	44,232	50,652	54,312	66,564
		<i>Earnings of deceased spouse in 2019....</i>	16,253	32,507	48,760	65,014	81,267	97,521	132,900
60		<i>Spouse and one child.....</i>	8,112	11,460	14,808	18,156	21,048	22,620	27,000
	60	<i>Child only.....</i>	8,508	12,024	15,540	19,044	22,080	23,724	28,320
		<i>Spouse and two children.....</i>	17,028	25,668	38,400	45,396	51,540	55,380	66,084
		<i>Earnings of deceased spouse in 2019....</i>	14,127	28,254	42,381	56,508	70,634	84,761	132,900
Full-lifetime average earnings level².....			15,000	30,000	45,000	60,000	75,000	90,000	Maximum
Percent of fully ³ or currently ⁴ insured workers with career average earnings at this level or below ⁵			14	34	53	69	79	86	100
<p>¹ Scaled earnings patterns starting at age 21 are assumed for all but the maximum worker. These scaled patterns reflect the actual average work experience of fully insured workers during 1997-2016. For the maximum worker, earnings start at age 22 and are assumed to equal the taxable maximum (the OASDI contribution and benefit base) for each year through 2019. (For 2019, this amount was \$132,900.) For more details on the scaled-earnings patterns see Actuarial Note Number 2020.3 at: http://www.ssa.gov/OACT/NOTES/ran3/an2020-3.pdf.</p> <p>² The full-lifetime average earnings level reflects the average of the highest 35 years of wage-indexed earnings (wage-indexed to 2019) expected for the illustration assuming the worker survives to age 65 without having become disabled.</p> <p>³ A worker is <i>fully insured</i> if he or she has a total number of quarters of coverage (QCs) at least equal to the number of years after attainment of age 21 through the last year considered in the analysis (in this case 2016), or through age 62 if earlier, and has a minimum of 6 QCs.</p> <p>⁴ A worker is <i>currently insured</i> if he or she has accumulated six quarters of coverage during the 13-quarter period ending with the current quarter.</p> <p>⁵ Based on a 1% sample of actual earnings histories for individuals aged 25 through 65 who were fully or currently insured in 2017. Comparisons are made to hypothetical scaled worker career average earnings at each of the applicable ages corresponding to the \$15,000, \$30,000, . . . , maximum full lifetime average earnings levels.</p>									
Note: These estimates reflect no increase in the cost of living after December 2019.									