

Your Retirement Age Can Affect Your Child's Disability Benefits

If you have a child with special needs, you should think carefully about whether it is advisable to retire before what Social Security calls your "normal retirement age" or "NRA." Social Security has a formula for reducing retirement benefits depending upon how many years before NRA a worker retires (but not younger than age 62). NRA varies between age 65 and 67 depending on the worker's date of birth. Social Security has a [chart showing retirement ages](#). The NRA has gradually increased over time. For many years NRA was 65 for everyone, but now it is as high as 67 for people born after 1959.

If you retire before your NRA, your Social Security benefit amount will be reduced by a mathematical formula based on how many months before your NRA you retire. So for example, if you retired at age 62 and your NRA was 66, your retirement income will be reduced by 25%. If you retired 2 years before your NRA, the reduction in your Social Security benefits would be about 13%. You can calculate your estimated NRA by going to [Social Security's web site](#). [AnalyzeNow](#), a private web site with a mission to "disseminate inexpensive retirement planning tools," also has a useful retirement calculator program.

There are several articles on the pros and cons of applying for Social Security retirement benefits before reaching your NRA. Many of the articles discuss what is referred to as the "break even" point. The idea is to try to calculate whether you will receive more money over your lifetime if you receive a smaller amount starting at age 62 or a larger amount starting at a later age. There are calculator programs to determine how long you would have to live before the amount you would receive at the NRA rate would be greater than the smaller amount you would receive over a longer period of time if you elected early retirement.

These articles and calculators fail to take into account one factor that is of critical importance to parents with a special needs child. Your child may be eligible for a Social Security benefit that is based on your retirement benefit. The less you receive in retirement income, the less your child's benefit will be for his or her lifetime.

Child Disability Benefits

If a child is disabled before the age of 22, he or she may be eligible for Child Disability Benefits (CDB) when the parent retires, becomes disabled or dies. The child must be at least 18 years old, and the parent must have paid into the Social Security system while working. (A detailed discussion of CDB is beyond the scope of this article.) The child's benefit amount is 50% of the parent's Social Security benefit if the parent is living. If the parent dies, the CDB benefit is increased to 75% of the parent's benefit amount. If both parents are retired, disabled or deceased, the child will receive the CDB amount based on the higher earning parent's Social Security benefit. Occasionally a child will not get the full CDB benefit amount because other family members are also entitled to Social Security benefits based upon the parent's account. There is a maximum "family benefit" that can be paid based on any one person's Social Security contributions.

Many adult disabled children are already receiving SSI benefits when they qualify for CDB after their parent retires, becomes disabled or dies. CDB will replace or offset the SSI benefit dollar for dollar. If the CDB amount is less than the SSI benefit amount, the child can receive both CDB and enough SSI income to bring the child's total income up to the SSI benefit amount plus an additional \$20.

The federal SSI benefit amount for 2010 is \$674. Some states pay a supplemental amount to increase the total SSI payment. So, for example, if Tim was previously receiving SSI and his CDB benefit is \$600 per month, he will be eligible for an additional SSI benefit of \$94 per month ($\$74 + \20). If Tim's CDB benefit is \$800 per month, he will receive no SSI benefits because the CDB amount exceeds the SSI benefit amount.

How Retirement Age Affects Child Disability Benefits

The CDB amount paid to your child is based upon your actual Social Security benefit amount. Applying for early retirement Social Security benefits will not only reduce your Social Security benefit amount for the rest of your life, but it will also reduce your child's CDB benefit.

For example, Kate is 61 years old and is trying to decide whether to take early retirement at age 62 or wait until her NRA at 66. Kate has a 30 year old son, Scott, who is currently receiving SSI benefits of \$674 per month. Scott has had cerebral palsy since birth.

Using the Social Security benefit calculator, Kate determined that her NRA is 66, because she was born in 1949, and that if she waited until age 66 to retire, her monthly benefit would be \$1,250 per month. If she retired at age 62, her retirement benefit would be about \$900 per month.

Based upon the above estimates, Kate then calculated Scott's CDB if she died. Scott would be entitled to half of Kate's benefit amount when she retires, but her primary concern is how to provide for her son at her death. If Kate waited until her NRA of 66, Scott's CDB would be \$937 per month (75% of \$1,250). If Kate instead retired at 62, she estimated that Scott's CDB benefit would be \$675 per month (75% of \$900). In doing these rough calculations, Kate did not take into account annual cost of living adjustments (COLA) and she disregarded the CDB benefits Scott would not receive if she delayed her retirement by four years.

The difference in Scott's CDB amount depending upon whether Kate retired at age 62 or 66 amounted to \$262 per month or \$3,144 per year. Projecting out this increased benefit amount over 40 years, Scott would receive approximately \$125,000 more in CDB income if Kate waited to apply for Social Security at 66 when she reaches her NRA. Keep in mind that the above projections are based upon Kate's employment history, so the projected CDB benefits for her son will not be same as another parent with higher or lower earnings.

There are many factors to take into account before deciding when to apply for Social Security retirement benefits, and there is no single right answer to the question, "is early retirement a good idea?"

- For some families there are economic, health or employment issues that make early retirement necessary regardless of the impact on a child's CDB amount.
- For some families there are significant assets to leave to their children in a special needs trust, making additional monthly income from delayed retirement less significant.
- Some children contribute almost all of their income as a co-payment towards residential care paid by the Medicaid program, so additional monthly income will not impact the quality of their life.
- Some children with disabilities have their own employment history through supported work that gives them a higher disability benefit than what they would receive on a parent's Social Security account.
- The child is entitled to the higher benefit amount if both parents are deceased, retired or disabled and in insured status with Social Security. For example, if Scott's father has an account with Social Security that is close to or higher than Kate's, she may be less concerned about the effect of her retirement age on Scott's CDB benefit amount.

All of the above factors should be weighed carefully before you decide whether to apply for early retirement with Social Security. Your financial planner can give you guidance on the best age for you to retire based upon your net worth. But if you have a special needs child who was disabled before the age of 22, no decision should be made before considering the impact of your retirement age on your child's future Social Security benefits.