

Social Security Administration

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December 18, 2013

Monthly Information Package January 2014

RING IN THE NEW YEAR WITH A COLA.....	2
NOW IS THE TIME TO PREPARE FOR TAX SEASON.....	4
MEDICARE IS THE BEST CARE IF YOU ARE AGE 65 OR OLDER.....	6
BE OF SERVICE THIS MARTIN LUTHER KING JR DAY.....	9
SOCIAL SECURITY TEASES YOUR BRAIN.....	11
QUESTIONS AND ANSWERS.....	14

Social Security Column

RING IN THE NEW YEAR WITH A COLA

By Bob Simpson

Social Security District Manager in Traverse City

Many people ring in the new year with Champagne. People who receive Social Security or Supplemental Security Income (SSI) get to ring it in with a COLA. This year, more than 60 million Americans are receiving a 1.5 percent cost of living adjustment (COLA) in their monthly benefit payment.

The 1.5 percent COLA begins with increased benefits for more than 57 million Social Security beneficiaries in January 2014, and payments to more than 8 million SSI recipients in late December 2013.

The estimated average monthly Social Security payment to a retired worker is \$1,294 (in 2014), up from \$1,275 (in 2013). The average monthly Social Security disability payment for an individual is \$1,148 (in 2014), up from \$1,131 (in 2013).

The basic monthly federal payment for SSI is \$721 (in 2014), up from \$710 (in 2013).

Some other changes that take effect in January of each year are based on the increase in average wages. For example, the maximum amount of earnings subject to the Social Security payroll tax (taxable maximum) will increase to \$117,000, up from \$113,700. Of the estimated 165 million workers who will pay Social Security taxes in 2014, about 10 million will pay higher taxes as a result of the increase in the taxable maximum.

The amount of earnings needed for one credit of Social Security coverage has gone up as well, but all workers can still earn up to four credits in a year. In 2014, a worker earns a credit after

earning \$1,200. In 2013, one credit of coverage was \$1,160. It takes forty credits to be fully insured for retirement benefits.

Information about Medicare changes for 2014 is available at www.medicare.gov.

Visit www.socialsecurity.gov/pressoffice to learn more about the COLA and other Social Security changes in 2014.

From everyone at Social Security, have a Happy New Year.

Social Security Column

NOW IS THE TIME TO PREPARE FOR TAX SEASON

By Bob Simpson

Social Security District Manager in Traverse City

Wise taxpayers may want to take advantage of winter months indoors to prepare for tax filing season this spring. Whether you are a small business owner, a retiree, or a new parent, here are some Social Security tax tips that may help you.

Are Social Security benefits taxable? Yes, for some people with higher incomes. About one third of those receiving Social Security benefits must pay taxes on some of their Social Security benefits, depending on the amount of their taxable income. Learn more at www.socialsecurity.gov/planners/taxes.htm.

Will I get a tax form for my Social Security benefits? Yes. Beneficiaries should receive their Social Security Benefit Statements (Form SSA-1099) for tax year 2013 on or before January 31, 2014. If you receive Social Security and don't receive your 1099 by the end of January, you can request one online at www.socialsecurity.gov/1099.

We had a baby in 2013. Does our child need a Social Security number? Yes. Most people apply for their baby's Social Security number while they're still in the hospital at the same time they register for the birth certificate. But if you didn't, you'll need to apply for your child's Social Security number before you file your tax return in order to claim the child as a dependent. You'll also need it if you ever apply for government benefits on behalf of your child or your family. Learn more about Social Security cards and numbers at www.socialsecurity.gov/ssnumber.

I changed my name when I got married last year. Do I need to report it to Social Security? Yes. If you've legally changed your name due to marriage, divorce, court order, or for any other reason, make sure you change your name with Social Security, as well as with your employer. If

you change with one source but not the other, it could cause your earnings to be improperly recorded and you may not get all the benefits you are entitled to when you become eligible for Social Security in the future. Failing to change your name on your Social Security record could also cause a delay in your receipt of any federal income tax refund. You can learn more about your Social Security number and how to change your name at www.socialsecurity.gov/ssnumber.

I own a small business. Can I report my employees' W-2s to Social Security electronically?

Yes, and we encourage you to do just that at www.socialsecurity.gov/bsa. Filing your W-2s electronically is *free, fast, and secure*! Plus there's an added bonus: when you file electronically, you receive an *extra* month to file because electronically filed W-2s aren't due until March 31. You'll also receive an electronic receipt. And when you enter your W-2 information online, you can simultaneously print out the W-2s for your employees. Learn more at www.socialsecurity.gov/employer.

Does Social Security have any tips at this time of year for those filing their taxes? Yes. We encourage you to carefully check: your name, Social Security number, and all data on your W-2s; your online *Social Security Statement*; and your Social Security card to make sure they all match. If you don't have access to your card or *Statement* but know your Social Security number, make sure the number and information is correct on your W-2s. A mismatch could delay your tax refund and cause problems with your Social Security benefits in the future. Such errors are much easier to fix early on. If you do notice an error, contact Social Security at 1-800-772-1213 (TTY 1-800-325-0778), or if the information on the W-2 is incorrect, notify your employer.

For more information about Social Security, visit www.socialsecurity.gov.

Social Security Column

MEDICARE IS THE BEST CARE IF YOU ARE AGE 65 OR OLDER

By Bob Simpson

Social Security District Manager in Traverse City

If you are age 65 or older and haven't signed up for Medicare Part B (Medical Insurance), now is the time to consider doing so. The general enrollment period for Medicare Part B runs from January 1 through March 31 each year. Before you make a decision about general enrollment, we want to share some important information.

Remember: Most people are automatically enrolled in Medicare Part B when they become eligible. If you don't enroll in Medicare Part B when you first become eligible, you may have to wait until the general enrollment period, which is January 1 through March 31 of each year. At that time, you may have to pay a higher Medicare Part B premium.

What is Medicare?

Medicare is health insurance for people receiving Social Security who are age 65 or older or those who have received Social Security disability benefits for more than two years. Some people are covered only by one of the four parts of Medicare; others opt to pay extra for more coverage. Understanding Medicare can save you money; here are the facts.

The four parts of Medicare are parts A, B, C, and D.

- **Part A** (Hospital Insurance) helps cover inpatient hospital care, skilled nursing care, hospice care, and home health care. Most people get Medicare Part A premium-free since it was earned by working and paying Social Security taxes.
- **Part B** (Medical Insurance) helps cover services from doctors and other outpatient health care providers, outpatient care, home health care, durable medical equipment, and some preventive services. Most people pay a premium for Part B.

- **Part C** (Medicare Advantage) allows you to choose to receive all of your health care services through a provider organization. These plans include all benefits and services covered under Part A and Part B, usually includes Medicare prescription drug coverage as part of the plan, and may include extra benefits and services for an extra cost. You must have Part A *and* Part B to enroll in Part C. Monthly premiums vary depending on your state, private insurer, and whether you select a health maintenance organization or a preferred provider organization.
- **Part D** (Medicare prescription drug coverage) helps cover the cost of prescription drugs. Many people pay a premium for Part D. However, people with low income and resources may qualify for *extra help* from Social Security to pay the premium and deductible. To see if you qualify for extra help visit www.ssa.gov/prescriptionhelp.

Most people first become eligible for Medicare at age 65, and there is a monthly premium for Medicare Part B. In 2014, the premium for most people is \$104.90, the same as it was in 2013. Some high-income individuals pay more than the standard premium. Your Medicare Part B premium also can be higher if you do not enroll when you are first eligible, also known as your initial enrollment period. There also is a Medicare Part B deductible of \$147 in 2014.

You can delay your Medicare Part B enrollment without having to pay higher premiums if you are covered under a group health plan based on your own current employment or the current employment of any family member. You can sign up for Medicare Part B without paying higher premiums:

- In any month you are covered under a group health plan based on your own current employment or the current employment of any family member; or
- Within eight months after your employment or group health plan coverage ends, whichever comes first.

If you are disabled and working (or you have coverage from a working family member), the same rules apply.

It's important to note that people who have Medicare coverage *are not* affected by the

Affordable Care Act. Medicare is *not* a part of the Affordable Care Act's Health Insurance Marketplace. If you are a Medicare beneficiary, your Medicare benefits *are not* changing. You do not need to replace your Medicare coverage with Marketplace coverage. For more information about the Marketplace, visit www.healthcare.gov.

For more information about Medicare Parts A, B, C, and D, visit www.medicare.gov. Or read our publication on Medicare at www.socialsecurity.gov/pubs.

Social Security Column

BE OF SERVICE THIS MARTIN LUTHER KING, JR DAY

By Bob Simpson

Social Security District Manager in Traverse City

January 20 is Martin Luther King, Jr. Day. On this day, we celebrate the birthday of the civil rights leader and nonviolent activist. To many people, the holiday is more than an observance of an American hero. It is a day of service.

Martin Luther King Jr. once said, “Life’s most persistent and urgent question is: 'What are you doing for others?’”

Each year, Americans across the country answer that question by coming together on the King Holiday to serve others.

The Martin Luther King Jr. Day of Service is a part of United We Serve, the President’s national call to service initiative. It calls for Americans from all walks of life to work together to provide solutions to our most pressing national problems.

We at Social Security encourage people everywhere to be of service to someone this Martin Luther King Jr. Day. A great way to do that is by helping someone you know who may need assistance applying for Social Security, Medicare, or *extra help* with Medicare prescription drug costs. Each task is easy to do at www.socialsecurity.gov.

Some people who need these benefits may not be comfortable with computers or may not even know applying online is an option. They may put off the trip to a Social Security office for a number of reasons: inconvenience, wait time, transportation conflicts, or not being comfortable in crowds.

But it's easier than ever to apply for these benefits from the convenience of any computer at www.socialsecurity.gov.

For example, it's easy to apply for retirement benefits at www.socialsecurity.gov/applyonline. It takes as little as 15 minutes from start to finish, and once the application is submitted electronically, in most cases, there is nothing more to do — no forms to sign and no documents to submit.

It's even easier to apply for Medicare only, for people reaching age 65 who do not plan to apply for their Social Security retirement payments yet, but who do want to receive Medicare coverage. The online application takes about 10 minutes to complete and you can find it at www.socialsecurity.gov/medicareonly.

People who already have Social Security and Medicare coverage, but who have trouble paying for their prescription drugs, can apply for *extra help* online at www.socialsecurity.gov/extrahelp.

And if you want to help someone who isn't sure yet — who is thinking about retirement but doesn't know whether to retire now or later — there's a quick and easy way to get estimates of retirement benefit amounts based on various dates and situations. Just lead them to the *Retirement Estimator* at www.socialsecurity.gov/estimator.

This holiday, make your Martin Luther King Jr. Day a day of service to someone who can use your help. Lead them to www.socialsecurity.gov. Online tasks that may be simple for you could make a world of difference to people who need assistance.

Social Security Column

SOCIAL SECURITY TEASES YOUR BRAIN

By Bob Simpson

Social Security District Manager in Traverse City

January is International Brain Teasers Month. What better time than now to test your knowledge and learn a few things at the same time? With that in mind (pun intended), tease your brain with these bits of Social Security trivia.

Brain Teasers:

1. When was the Social Security Act signed into law, and who signed it?
2. Who received the very first Social Security check? (Careful — this may be a trick question!)
3. When did Social Security begin paying disability benefits?
4. Who received the first monthly Social Security check? (Not the same person as in question number two!)
5. When did Social Security begin paying Supplemental Security Income benefits, or SSI?
6. Is there any significance to the digits in your Social Security number — or are they just random?

Answers:

1. The Social Security Act was signed into law on August 14, 1935, by President Franklin D. Roosevelt. In fact, we even have a picture of it at www.socialsecurity.gov/history/fdrsign.html.
2. The first person to receive a Social Security payment was Ernest Ackerman. But he did not receive a monthly benefit. During the start-up period of Social Security, between January 1937 and December 1939, people who paid into the system received a lump-sum payment when they retired. Mr. Ackerman got a whopping lump-sum payment of 17 cents. Not bad considering he only contributed a nickel.
3. Although there were discussions about disability benefits between Congress and the White House as early as 1936, Social Security disability benefits did not become law until 1956. Learn more about disability benefits and how they can help at www.socialsecurity.gov/disability.
4. Ida May Fuller was the first person to receive a regular monthly Social Security payment. Her monthly payment was more than Ernest Ackerman's lump sum. Beginning on January 31, 1940, she received \$22.54 each month. She collected benefits (with no payment increase for the first ten years) until she passed away at the age of 100, in 1975.
5. Social Security began making SSI payments in 1974. SSI pays benefits to people who have low income, limited resources, and who are 65 or older, disabled, or blind. Learn more about how SSI can help at www.socialsecurity.gov/ssi.
6. Whether the digits in your Social Security Number have any meaning depends on when it was originally issued to you. Until June 2011, the first three digits were assigned based on the geographical region in which the person resided. Generally, numbers were assigned beginning in the northeast and moving westward. So people on the east coast have the lowest numbers and those on the west coast have the highest numbers. The

remaining six digits in the number are more or less random and facilitated the manual bookkeeping operations that began with the creation of Social Security in the 1930s. As of June 2011, all numbers are randomly assigned without regard to region.

Want to learn more about Social Security and the agency's history? There's more to enjoy on Social Security's history page. Tease your brain at www.socialsecurity.gov/history.

QUESTIONS AND ANSWERS

GENERAL

Question:

I recently applied for a replacement Social Security card, but I might be moving before it arrives in the mail. What should I do if I move before I get it?

Answer:

Once we have verified all your documents and processed your application, it takes approximately 10 to 14 days to receive your replacement Social Security card. If you move after applying for your new card, notify the post office of your change of address and the post office will forward your card to your new address. If you do not receive your card, please contact your local Social Security office. To get a replacement, you will have to resubmit your evidence of identity and United States citizenship, or your lawful immigration status and authority to work. You can learn more at www.socialsecurity.gov.

Question:

What's the average monthly Social Security benefit for a retired worker? How is the retirement benefit amount calculated?

Answer:

The current average monthly Social Security benefit for a retired worker is \$1,294. Social Security benefits are based on earnings averaged over most of a worker's lifetime. Your actual earnings are first adjusted or "indexed" to account for changes in average wages since the year the earnings were received. We calculate your average monthly indexed earnings during the 35 years in which you earned the most. We apply a formula to these earnings and arrive at your basic benefit amount. Learn more by visiting us online at www.socialsecurity.gov.

RETIREMENT

Question:

My cousin and I are both retired and get Social Security. We worked for the same employer for years, but he gets a higher Social Security benefit. Why is that?

Answer:

Your payments are based on your earnings over your lifetime. Unless you are both the same age, started and stopped work on the exact same dates, and earned the very same amount every year of your careers, you wouldn't get the same benefit as your cousin. Social Security benefits are based on many years of earnings — generally your highest 35 years. To learn more about Social Security retirement benefits, visit www.socialsecurity.gov and select the “Retirement” link.

Question:

I am nearing my full retirement age, but I plan to keep working after I apply for Social Security benefits. Will my benefits be reduced because of my income?

Answer:

No. If you start receiving benefits after you've reached your full retirement age, you can work while you receive Social Security and your current benefit will not be reduced because of the earned income. If you keep working, it could mean a higher benefit for you in the future. Higher benefits can be important to you later in life and increase the future benefit amounts your survivors could receive. If you begin receiving benefits before your full retirement age, your earnings could reduce your monthly benefit amount. After you reach full retirement age, we recalculate your benefit amount to leave out the months when we reduced or withheld benefits due to your excess earnings. Learn more about Social Security reading our publication, *How Work Affects Your Benefits*, at www.socialsecurity.gov/pubs/10069.html.

DISABILITY

Question:

How does Social Security decide whether I am disabled?

Answer:

For an adult, disability under Social Security law is based on your inability to work because of a disabling condition. To be considered disabled, Social Security must determine that because of one or more disabling conditions you are unable to do the work you did before and unable to adjust to any other work which exists in significant numbers in the national economy. Also, your disability must last or be expected to last for at least one year or to result in death. Social Security pays only for total disability. No benefits are payable for partial disability or short-term disability (less than a year). For more information, we recommend you read *Disability Benefits*, available online at www.socialsecurity.gov/pubs.

Question:

What is the earliest age that I can receive Social Security disability benefits?

Answer:

There is no minimum age as long as you meet the strict Social Security definition of disability and you have worked long and recently enough under Social Security to earn the required number of work credits. You can earn up to a maximum of four work credits each year. The amount of earnings required for a credit increases each year as general wage levels go up. The number of work credits you need for Social Security disability benefits depends on your age when you become disabled. For example, if you are under age 24, you may qualify with as little as six credits. But people disabled at age 31 or older generally need between 20 and 40 credits, and some of the work must have been recent. For example, you would need to have worked five out of the past 10 years. Note that eligibility requirements are different for Supplemental

Security Income, which does not depend on work credits. Learn more at www.socialsecurity.gov/disability.

SUPPLEMENTAL SECURITY INCOME

Question:

I get Supplemental Security Income (SSI) because I am elderly and have no income. My sister recently died and left me the money she had in a savings account. Will this extra money affect my SSI benefits? Will my SSI payments stop?

Answer:

The money inherited from your sister is considered income for the month you receive it and could make you ineligible for that month, depending on the amount of the inheritance. If you keep the money into the next month, it then becomes a part of your resources. You cannot have more than \$2,000 in resources and remain eligible for SSI benefits (\$3,000 for a couple). Call us at 1-800-772-1213 (TTY 1-800-325-0778) to report the inheritance. A representative will tell you how your eligibility and payment amount might be affected. Learn more by visiting us online at www.socialsecurity.gov.

Question:

My parents recently moved into a retirement community and they are signing their house over to me. Can I still get Supplemental Security Income (SSI) or will home ownership make me ineligible?

Answer:

You can own a home and still receive SSI as long as you live in the home you own. In most cases, when determining SSI eligibility we don't count as a resource the home you own and live in or the car you use. For more information about SSI and Social Security, visit www.socialsecurity.gov, or call us at 1-800-772-1213 (TTY 1-800-325-0778).

MEDICARE

Question:

I didn't enroll in Medicare Part B back when my Part A started a few years ago. Can I enroll now?

Answer:

Yes — but if you want to do it this year, you'll have to act soon. The general enrollment period for Medicare Part B, medical insurance, began January 1 and runs through March 31. Keep in mind that although there is no monthly premium for Medicare Part A, there will be a premium for your Medicare Part B. And in most cases, that premium goes up each 12-month period you were eligible for it and elected not to enroll. To find out more about Medicare, visit www.medicare.gov or www.socialsecurity.gov and select the "Medicare" link.

Question:

Will my Medicare coverage change because of the Affordable Care Act?

Answer:

No, not at all. People who have Medicare coverage *are not* affected by the Affordable Care Act. Medicare is *not* a part of the Affordable Care Act's Health Insurance Marketplace. If you are a Medicare beneficiary, your Medicare benefits *are not* changing. You do not need to replace your Medicare coverage with Marketplace coverage. For more information about the Marketplace, visit www.healthcare.gov. For more information about Medicare Parts A, B, C, and D, visit www.medicare.gov. Or read our publication on Medicare at www.socialsecurity.gov/pubs.