

Maximize Your Supplemental Security Income (SSI) Disability Benefits © 2010

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Supplemental Security Income (SSI) disability benefits are granted to disabled people who have severe financial need. This program is the bedrock of the social safety net. Everyone receiving SSI disability benefits can benefit from understanding the principles regarding living arrangement and income. This information only applies where there is a SSI benefit. People receiving only Social Security Disability Insurance (SSDI) benefits do not have to consider these issues.

The SSI cash benefit ceiling is predetermined by the state in which the SSI beneficiary resides. With regard to the ceiling, SSI beneficiaries have the potential to receive the Federal Base Rate (FBR) which in 2010 is \$674.00 per month. Some states, like California, apply a state matching contribution. New Mexico does not. Thus, in 2010, the maximum benefit is \$674.00 for New Mexicans whose sole disability benefit is SSI. However, they only get the FBR of \$674.00 per month if their living arrangement provides them no outside income.

When a person is awarded SSI benefits, Social Security tells her something she really needed to know before she ever applied. Social Security tells her that her SSI benefit will be reduced by the amount of any income she receives. Additionally, the value of food and shelter she receives as a gift is counted as income. Thus, her living arrangement determines her benefit amount. The earlier she reports an optimal living arrangement, the better the cash award.

The SSI policies regarding income are very complex and cover many different living arrangements. There is no cookie cutter approach to maximizing SSI cash benefits. Each case is different. Below I describe some common situations to demonstrate the general principles.

In three common situations, a beneficiary of SSI cash benefits who receives a gift of food and shelter can increase his SSI cash benefit by up to one-third simply by changing his living arrangement and reporting the changes to Social Security.

Consider these three scenarios:

Scenario 1: A SSI beneficiary lives with a friend in a house. Her friend, who is employed, pays the rent, the utilities, and buys the groceries. In the absence of any evidence to the contrary, Social Security treats the housing and food provided by the friend as a gift. Thus, the SSI beneficiary has income in the form of food and shelter. Her monthly cash benefit is reduced by one-third. In 2010, in New Mexico she receives \$448.00 instead of \$674.00 (FBR).

Scenario 2: A SSI beneficiary lives with his father. The father pays the mortgage, real estate taxes, property insurance, utilities, and buys the groceries. In the absence of any evidence to the contrary, Social Security treats the housing and food provided by the father as a gift. The SSI beneficiary's monthly cash benefit is reduced by one-third. In 2010, in New Mexico he receives \$448.00 instead of \$674.00 (FBR).

Scenario 3: A SSI beneficiary lives in an apartment with a friend. The friend pays the rent, utilities, and buys the groceries. The SSI beneficiary's mother gives the friend \$100.00 per month to reimburse the friend for the beneficiary's share of housing and food. In the absence of any evidence to the contrary, Social Security treats the monthly \$100.00 cash payment to the friend as a gift to the SSI beneficiary. In addition, Social Security treats the balance of the housing and food provided by the friend as a gift. The SSI beneficiary's monthly cash benefit is reduced by one-third. In 2010, in New Mexico she receives \$448.00 instead of \$674.00 (FBR).

The same principles apply in states that provide a state matching contribution.

What About "Sharing" of Living Expenses?

If the living expenses are low enough, the living arrangement can be changed in each of these scenarios so that the SSI beneficiary "shares" the expenses. In "sharing" the SSI beneficiary agrees to pay and then pays his fair share of the living expenses each month that she gets SSI cash benefits. Naturally sharing can only occur if the SSI cash benefit will pay the SSI beneficiary's fair share of the cost of housing and food. In scenario 2 for example, sharing will not apply if the father and the SSI beneficiary are the only members of the house and the mortgage is \$2,000.00 per month. The SSI beneficiary could never pay a fair share of that mortgage. However, if the house contained five members, sharing is possible.

How does a SSI claimant or beneficiary agree to pay money for sharing housing and food when she lacks the money? She and the lender (or lenders as required by scenario 3) enter into a bona fide loan agreement. The loan could be cash or food and shelter. To read more about loan agreements, enter Social Security Ruling 92-8p into an internet search engine.

A bona fide loan agreement of cash or food and shelter has these properties:

- It must be enforceable under State law.
- It must be in effect at the time of transaction.
- Both the lender and the borrower acknowledge the obligation to repay.
- There must be a plan or schedule for repayment.
- The plan must be feasible.

Here I apply a loan agreement to Scenario 1.

The SSI beneficiary (Borrower) and the friend (Lender) create a legally enforceable agreement.

They list the rent, utilities, and monthly food expenses totaling \$900.00/month.

With their signatures, the Borrower promises to pay, and the Lender obligates the Borrower to pay her pro rata (fair) share of \$450.00 per month out of future SSI income beginning the day that the loan agreement is signed. (The pro rata share is the total monthly housing and food expense divided by the number of inhabitants.)

The Borrower and the Lender take the loan agreement to Social Security and report the new living arrangement.

Two months later, the SSI beneficiary's cash benefit increases by one-third from \$448.00 to \$674.00.

The Borrower now has adequate resources to pay her fair share (\$450.00) and begin repaying the Lender over the next few months.

Once the repayment is complete, the loan agreement is satisfied, and the living arrangement is "sharing". The SSI cash benefit remains \$674.00 (FBR).

Scenario 2 requires a loan agreement just like the one in scenario 1.

Scenario 3 requires two loan agreements.

Please note the impact on the SSI beneficiary in scenario 1. On the plus side, her benefits have increased from \$448.00 to \$674.00. On the minus side, she has obligated herself to pay her fair share of housing. If she fails to do so, Social Security will reduce her benefit by one-third and ask her to pay back the overpayment for the months that she did not pay her fair share. Any SSI beneficiary who changes her living arrangement could have to repay an overpayment if she does not understand these principles.

As mentioned above, these examples oversimplify very complex computations. For instance, the presence of other types of income (Social Security benefits, State welfare cash assistance, or income from occasional jobs like babysitting) can really complicate Social Security's calculations. However, if the reader can grasp the underlying principles, he can better apply them to a wide diversity of situations.