



## SSDI Explained: How to Qualify & Avoid Costly Mistakes [Ep. 29]

### *Transcript*

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Absolutely. And it's one of those where it may come down to the label of being disabled, or they feel like they're taking something that they don't really deserve, which I'd say, if you qualify for the benefit and you've paid into social security for all of these years, I mean, our clients are working extremely hard throughout their careers. Take advantage of the benefit. That's what it's there for.

Awesome, welcome to another episode of GDS Unplugged. Happy to have you join us, Ross. Super excited, super excited to be here. First bald guest, I'm pretty sure. Well, if you don't include Robert Terre-Trentz, I guess. Yeah, he quit out on us a little bit, but it's OK. It's OK.

Well, Ross, before we dive into today's topic, why don't you go ahead and give us a little background about where you're from and your work history. Sure, sure. So, Child of the Military, but mainly from Colorado Springs. Been in the industry for about seven years now in a variety of roles, including-- had one role where at a company, I trained all of the new advisors that were coming into the firm, teaching them on the industry, working with clients, kind of how to run their business. And got to the point where they were just pushing more selling of products, as opposed to financial planning. So, I started looking around and got introduced to you and Robert and saw how a fee-only fiduciary works. And from there, it was an easy choice.

I've loved the time here. I've gotten to work with some really amazing clients. And I'll stay here for as long as you let me stay, and then probably a few weeks after that.

(...)

I'm married. I have an amazing wife named Shelby and three of the cutest kids on the planet, James, Andy, and Isla, and live here in Flower Mountain just down the street. Yeah, I remember James when we went to the baseball suite to see the Rangers. How was he, 5' 6? He was 5' then, yeah. Taking his shirt off and waving it up. Yeah, every time there was someone on the jumbotron. That's what he thought he had to do to get on there. So, shirt came off. And so, yeah. Has it worked? Has there been a jumbotron? Never been on the jumbotron yet, but he still takes his shirt off at home and swings it around sometimes. So, it's stuck. I get it. I get it. (...) Awesome. Well, let's go ahead and get started on today's topic. We're going to talk about SSDI, Social Security Disability Income.

And when we told you you're going to be invited on a show, that's a topic he came up with, which is an interesting topic because there's a lot of nuances to that. So, why don't you break it down from the top? What is that? And how does it work? Yeah, absolutely. It's a program that a lot of people don't know about. And so, it's a government-funded program. It's funded through just your employment taxes, or what they call the FICA tax. And it's meant to give income support to people that can no longer work because of a long-term disability. And that's kind of a vague term, but what they mean is some kind of mental or physical impairment that's going to last either more than 12 months or could result in you passing away. And so, it's a great program. Usually, the benefits average \$1,500 to \$1,600 a month. OK. And so, how is this different than SSI? SSI, or the Supplemental Security Income. (...) So, SSDI is based on your work history. So, you have to have worked. You have to have paid into Social Security tax to qualify. SSI is a little different. That's meant for people 65 and older who just don't have the income or the resources that they need. And so, it's more of a needs-based program.

Now, some people can qualify for both, but I'd say that's a pretty rare situation. (...) So, I mean, SSDI then is not a handout. This is something that you've been paying for if you're in the United States. And if you qualify, you should apply for and receive. Absolutely. (...) You have to pay into the program to be eligible for the benefit. So, it's meant for those that something happens and they can't work anymore. It's not just for anybody who is at a need for it, but you have to have paid in to qualify. OK. And can family members receive this benefit, this SSDI, if they personally are not disabled? Yes. And that's something a lot of people don't know. If you're a spouse or even a divorced spouse of the disabled person, if you have a child in the house that you're taking care of under 16, you will qualify for some benefits. Or if you have a disabled child who obviously can't go work on their own, then typically you qualify for up to 50% of the disabled person's benefit. But there are caps within families, So, that's one that you would need on a situational basis. But yes, absolutely. Makes sense. Well, let's talk about the exciting topic of taxes. How does this affect taxes? So, your SSDI is taxed just like regular social security. So, there's different bands. If your household income is under \$32,000 for the year, then there's no taxes on the SSDI. If you fall within \$32,000 and \$44,000, then up to 50%. And then anything

over \$44,000 as a household is going to be just like regular social security, up to 85%. So, it's a little different than, say, VA disability through military service or federal employment, where it's completely tax-free. SSDI works just like your regular social security income. And in fact, when you hit your full retirement age, which for most people now is 67%, you don't have to reapply. Nothing changes. They just kind of rebrand what the benefits called, and you're on regular social security from that point. Sure. Makes sense. And here, of course, we always try to build financial plans for our clients and make sure they're maximizing any benefits out there, including social security and SSDI. What are some challenges that people might have to overcome or be prepared for if they want to apply for SSDI? Right. There's really three main challenges. And the first one just comes down to the application process. It's a long process. It's extremely detailed because they want to make sure that it's actually appropriate. So, they're not just going to look at your work history and a doctor's note and be able to give it to you. They're going to take a deep dive into your history, a deep dive into the medical records and what the actual diagnosis is and judge how that impacts the way you do your job or what they call functional limitations. So, it's a long process. Typically, only about 35% of people actually get approved on the first try. So, that's one of the big challenges, is just getting through the application process. And then-- It would probably be a little bit discouraging. It could be. It could be. And that's why it's one of those things to know that it's there because there's still another one of the challenges is it's a five-month waiting period before you start receiving benefits. Now, you'll get some back pay, but it's not a quick process. If anyone's been to the DMV or gone to social security before, working with the government, it's going to take a while. (...) But once you get through that five-month waiting period, then you can start receiving benefits. And then I'd say the third challenge is you're continuously being looked at. There's what they call continuing disability reviews to make sure-- To make sure you're qualified. Right, to make sure you still have the impairment. You still can't go back to work. Now, they have what they call a ticket to work program, where you can go test it out, see if you can get back to work the way that you were without losing your benefits right away.

But it's something they review on an ongoing basis.

That's a cool feature, right? So, you get to go back to work. And depending on how long you end up staying there, your benefits may be cut off at that point. But at least you get the benefits in the meantime. Right, at least you get to go see, can I get back to work? Can I make the same kind of income that I was making before? Do I really need this benefit anymore? And so, that's a nice little benefit that you have to test it out. And if it's not the right time, if it's too soon, then you still have those benefits. (...) How would you tell people or explain to people how to incorporate SSDI into the financial planning process? Yeah, the first part is just knowing that it's there. So, for people that are almost ready to retire, maybe they're not quite there yet, or something happens and they can't get access to their 401(k) or IRAs or other kinds of accounts that they've been saving into already, this is a great way to bridge that gap until they get to social security age or they can start taking out of their IRAs at 59 and 1.5. So, knowing that it's there, knowing how to get it, and being able to bridge that gap if something terrible like that happens.

Since we're talking about SSDI, Ross, can you share a story or an example of how you helped a client with it? Absolutely. So, in fact, one of our current clients, (...) she was in an accident, had a traumatic brain injury that prevented her from being able to go back to work and do the job that she was doing before. And so, she got on SSDI. It's been a nice income source until now she's at the age where she can start drawing on regular social security from her deceased spouse. And so, giving her the clarity and walking her through what that benefit looks like, what the qualifications are, and kind of bridging until she knew now, OK, now that I have the benefit from my previous spouse, then we were able to get her into a more comfortable retirement income. And so, just, again, making people aware of what the benefit is. And so, many times What's out there? Right. Sometimes people with a disabled child, they don't know that that's a benefit that's available to them. And I've seen-- I don't know if you've seen this, but sometimes people feel guilty about applying for these programs when they've paid into them. Absolutely. And it's one of those where it may come down to the label of being disabled, or they feel like they're taking something that they don't really deserve, which

I'd say, if you qualify for the benefit and you've paid into social security for all of these years, I mean, our clients are working extremely hard throughout their careers. Take advantage of the benefit. That's what it's there for.

Makes sense. So, as we wrap up this episode-- by the way, I love the socks there, Ross. I'm all GDS all the time. So, I love it. And I get to wear fun socks every now and again. So, this is my chance to spread out a little bit. Understood. As we wrap up this episode, the main takeaways I'm taking is if you qualify for SSDI, definitely apply.

Kind of be forewarned that it's not a given. It's going to be a bit of an uphill battle to make sure you qualify. But those are benefits you've paid into. And if you qualify, you definitely should apply. Because I hate the word entitled, but you're entitled to those. If you've paid into it and you check those boxes, you should get that subsidy back from the government. You paid, and you deserve it. (...) What else? Wrap up that episode with us. What last things do you think people should take away? What am I missing? I think it's one that-- know that the benefits there. You can check to see what kind of eligibility you would have just on the Social Security website. And if it's something that you want to explore, I would recommend just be prepared. Have the work history lined out. Have the detailed medical records, how it impacts you doing your job. Because that's going to make it a lot easier. That's going to put you in that 35%. And you can start getting the benefits faster. So, if it's something you want to seriously look into, just make sure that you're prepared.

So, Ross, if somebody wants to find more information on these topics we've discussed today, where should they go? So, the main source is going to be the Social Security website. So, just [ssa.gov](http://ssa.gov). And you can navigate through to see if you're eligible, what that looks like. Or if people want to have a deeper conversation about it, then feel free to give me a call. I'd be happy to take a few minutes and walk through your situation, see if it makes sense, and see how it works in a financial plan.

Well, I think we have a mailbag. We do. So, I get to turn it on you and ask you the questions. So, our mailbag question is, Glenn, I just got married. What kind of financial plan should we have together?

So, I think you have to do a four-step process. The first is you have to create that shared vision. What's important for you in the future? You want to save up for that first home, maybe upgrading a vehicle, saving for kids' college, if you have a kid or one on the way. So, create that vision of what you're trying to accomplish financially for the decades coming forward. Next thing is create that budget. Even now, day and age, I get people here a hard time. I see the young staff spending \$15, \$20 a day on lunch.

I don't get that. You need to have a budget. That's money that could be squirreled away for retirement or any financial goal you have. So, you have to create a budget. You have to stick to it.

And then, of course, you need to have your emergency money.

If you have two incomes in the family, typically three months of emergency income is plenty. If you have one income, then you definitely want at least six months of whatever you would need to survive for six months, just in cash or CDs, when I say cash in a bank, not cash in your home. But six months of liquid investments available for emergencies.

And then lastly, save for retirement. If you're young and just getting started out, to be honest, if it's money that you don't need for a while, candidly, you might not even need a financial advisor. You could put that money in, say, the S&P 500 index and let it grow until you accumulate some wealth. And things at some point will get a little bit more complex. But to get started out, that's going to keep your costs down and let you participate in the greatest economy in the world, right, the United States. Right. It's just get money in the market and keep the money in the market. Exactly.

And you know all those sayings. It's time in the market, not timing the market. At the end of the day, if you're at 21 starting to squirrel away a few hundred dollars a month, before you know it, it's going to grow quite nicely. Oh, absolutely. And then lastly, I can't forget, you've got to marry. You're your best friend, like Robert, right? I thought I was his best friend. I guess not.

Well, thank you, everybody, for joining us today. Hope you enjoyed today's episode of GDS Unplugged. If you have any comments on today's episode, suggestions, comments, et cetera, please add it on YouTube, especially. That's where we're extremely active and would love to respond to anything out there. Thank you So, much.

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