

Military service and Social Security



by Elaine Floyd, CFP®

There is a great deal of confusion about how military pay is counted for Social Security purposes.

At various seminars around the country veterans are being told that unless they show DD Form 214, they could lose out on as much as \$1,200. This is misleading. Only those who served before 1968 are required to provide DD-214. And the \$1,200 they get is not in the form of benefits, but a credit to their earnings record. By the time the earnings are factored into the average indexed monthly earnings (AIME) and the primary insurance amount (PIA), the effect is negligible. And if it's not among the 35 top earning years, it's not counted at all.

Service after 1968

Here's how it works. Military people who served on active duty are granted an additional earnings credit of \$300 per quarter, or \$1,200 a year. If the active duty occurred after 1968, this credit has already been applied. The veteran does not have to do anything to get it. For those who served on active duty before 1968, the credit will be applied when they apply for benefits. At that time they will be asked for proof of military service via form DD-214. However, if those years of active duty would not count among their 35 highest earning years, it's moot; the additional credits would not affect their Social Security earnings record anyway.

Here's what the SSA website says about extra earnings for military service:

If your active military service occurred:

- From 1957 through 1967, we will add the extra credits to your record when you apply for Social Security benefits.
- From 1968 through 2001, you do not need to do anything to receive these extra credits. The credits were automatically added to your record.
- After 2001, there are no special extra earnings credits for military service.

Does the WEP apply?

Another frequent question is whether military pensions trigger the Windfall Elimination Provision (WEP)—that is, if a veteran is receiving a military pension, and if he also qualifies for a Social Security benefit, will the Social Security benefit be reduced for the WEP? The answer is no.

Active-duty soldiers have been paying FICA taxes on their pay since 1957. Since today's 66-year-olds were still in elementary school in 1957, it is safe to say that any active-duty veteran considering claiming strategies today would have paid Social Security taxes on their military pay and therefore their pensions would not trigger the WEP.

Likewise, military reservists' pensions do not trigger the WEP, but for a different reason. Prior to 1988 they did trigger the WEP because reservists did not pay into Social Security. But Public Law 103-296 passed in 1994 exempts military reservists from the WEP if they are receiving a pension for inactive duty reserve service after 1956.

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A person could qualify for VA disability and not Social Security disability.

What about VA disability benefits?

There may also be some confusion about Veterans Administration (VA) disability benefits as they relate to Social Security. One benefit does not affect the other. That is, a person could be receiving VA disability benefits and also receive full Social Security disability or retirement benefits. Or, a person could qualify for VA disability benefits and not qualify for Social Security disability benefits because the two agencies' definitions of disability are different. For VA purposes, a person may be fully (100%) disabled, or only partially disabled

based on how much it impacts the person's ability to perform day-to-day tasks and its likeliness to affect employability. SSA, by contrast, considers you to be totally disabled or not disabled at all. To qualify for SSDI you must not be able to do any kind of work.

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