**Unemployment vs. Early Retirement vs. SSDI Training**

**Questions and Answers**

11/17/16

**Q: Is applying for EAEDC another strategy for cash assistance while awaiting disability?**

A: Yes – for some people this can help, but EAEDC has very strict financial eligibility limits. So it will only help those who are basically indigent. You can have $250 in **assets** as an individual, $500 for a couple. No, that isn’t a typo. **Income** must be less than the benefit which is $303.70/mo. for an individual (if homeless or in certain other situations it is much less). If you get EAEDC and are eventually approved for SSI any benefits you received will be repaid to the state automatically out of your SSI benefits.

**Q: If someone takes early retirement, can they get Medicare or do they need to wait for 2 years as they do if applying for disability?**

**You must be 65 to qualify for Medicare** (unless you have End-Stage Renal Disease, ALS or have been receiving SSDI for 24 months). So how long you need to wait would depend on how old you are if you take early retirement. As noted in the presentation – people currently facing this decision have a full retirement age of 66 – 67, so you could be 65 and take early retirement and qualify for Medicare. If you are age 62 you might need to wait longer to get Medicare than if you were disabled. As we advised in the presentation- if you qualify for disability that would be a better option for those younger retirees in terms of Medicare as well.

**Q: People often express concern that there may be a downside of applying for disability – are there risks?**

We recognize that applying for disability can require a psychological adjustment. This is understandable and common, but also please know that delaying application can mean lost benefits. SSI does not offer back-benefits; the earliest you may be eligible for benefits is the month after you apply. SSDI does offer back-benefits if you are determined to have been disabled before you applied, but they can only pay 12 months of back-benefits (keep in mind that the 5 month waiting period still applies).

As far as other downsides – they seem few. The presentation discusses conflicts between SSDI and unemployment. Once one is receiving **SSDI** there are also limits on how much one can work- and still remain eligible. Learn more about working while disabled here: <https://www.ssa.gov/pubs/EN-05-10095.pdf>.

For **SSI once you are receiving benefits** it is always important to make sure you report any changes in living situation, household composition, income and assets in a timely manner to avoid overpayments which you would then be obliged to repay.

**Q: What kind of advocate was referred to in presentation? Where can I find one?**

There are several sources to find an advocates with disability application experience.

* **Centers for Independent Living** staff can help people with disabilities apply for assistance: Mass Independent Living Centers: <http://www.masilc.org/membership/cils>. [Search](http://www.ilru.org/html/publications/directory/index.html) this site for CILs in other states: <http://www.ilru.org/projects/cil-net/cil-center-and-association-directory>
* There are many businesses that will assist with applications and appeals for a fee. Fees are determined by the court system, usually a percentage of the initial award, and generally are only charged if client wins. However, these **fees can be significant - up to 25% of any back-pay (maximum of $6,000). You should carefully weigh the cost/benefit of hiring one of these companies.** Here are a couple of such services.
  + **Allsup -** <http://www.allsup.com/>
  + **The Advocator Group** <http://www.advocator.com/>; also see their [Disability Answers Smartphone App](http://healthcare.partners.org/ss/ssframebottom/staffresources/news/2011/Newsletter-12.htm#DisabiltySmartphoneApp)
  + There are many private disability lawyers and other private companies that provide similar services. Search online or in the phone book.
* **Elder law attorneys**- while there is no universally accepted “elder law” credential, there are lawyers to claim expertise in this area. Here are a couple of websites to try:
  + National Academy of Elder Law Attorneys – this is the Mass. chapter’s website: <https://massnaela.com/>
  + National Elder Law Foundation- <http://www.nelf.org/>

**Q: If someone has a terminal illness can they take money out of their pension or 401(k) without penalty?**

**Before undertaking any of the steps below, we advise you speak with a certified financial planner or a certified public accountant** to understand all of your options, to plan for tax implications and other considerations such as planning for your heirs.

If you are among the few who still have a **pension** through your employer you should speak with your employer’s Human Resources/Benefits staff about your options.

**401(k)s**- Generally if you take money out of a 401(k) before age 59 ½ you'll get hit with a 10% early distribution penalty - on top of the regular income tax you may owe on the distribution. Fortunately, the IRS gives a break to those who are totally and permanently disabled. Individuals with qualifying disabilities can get an exception from the 10% early distribution penalty for all distributions. Learn more: [http://www.disabilitysecrets.com/resources/the-disability-exception-early-retirement-distribution-pe#](http://www.disabilitysecrets.com/resources/the-disability-exception-early-retirement-distribution-pe)

**Don’t meet the definition of disabled, but have large medical bills?**  If medical expenses are more than 7.5 percent of your adjusted gross income you can claim a penalty-free hardship withdrawal to pay for the share of expenses that is above 7.5 percent.

**Leaving Your Job On or After Age 55** - An employee who retires, quits or is fired at age 55 or later can withdraw without penalty from their 401k (the "rule of 55"). There are three key points early retirees need to know.

First, this exception applies if you leave your job at any time during the calendar year in which you turn 55, or later.

Second, if you still have money in the plan of a former employer and assuming you weren't at least age 55 when you left that employer, you'll have to wait until age 59½ to start taking withdrawals without penalty. Better yet, get any old 401k's rolled into your current 401k before you retire from your current job so that you will have access to these funds penalty free.

Third, this exception only applies to funds withdrawn from a 401k. IRAs operate under different rules, so if you retire and roll money from your 401k into an IRA before age 59½, you will lose this exception on those dollars. (This section on leaving a job after 55 from and more info at: <http://www.401khelpcenter.com/401k_education/Early_Dist_Options.html#.WC8gQTtS4dU>).

Another option might be to tap one’s **life insurance**. Read more: <http://www.kiplinger.com/article/insurance/T034-C001-S001-tapping-life-insurance-when-you-re-terminally-ill.html>