Outdated Supplemental Security Income Rules Harm 300,000 U.S. Veterans

Around 300,000 U.S. veterans receive SSI benefits and are negatively impacted by the program's antiquated asset limits and other outdated eligibility rules.

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Background

Managed by the Social Security Administration, Supplemental Security Income (SSI) is a federal program that provides monthly cash benefits to low-income, low-wealth elderly and disabled Americans. Established in 1972 to assure that "the nation's aged, disabled, and blind would no longer have to subsist on below-poverty-level incomes," today SSI currently provides income assistance to roughly 7.4 million individuals, helping them afford basic needs like rent, food, and health expenses.[1]

2024 marks the 50th anniversary of SSI benefits being paid to eligible individuals. However, SSI's anniversary is a bittersweet one. While SSI benefits provide critical support to the individuals and families who receive them, the program has been largely forgotten by policymakers since its inception. About four in ten SSI recipients remain in poverty because the maximum benefit is 25% below the federal poverty line.[2] At the same time, it is difficult to supplement the benefits with other income. SSI's income limits have not been updated even for inflation since the program was established in 1972. After a recipient exceeds $85 in total monthly income, the program enforces a 50% effective marginal tax rate on additional earnings. Even more stringent reductions are applied to unearned income, such as Social Security,[3] and in-kind support provided by family and friends that is over $20 in value each month[4] SSI rules also penalize marriage in a variety of ways.

The out-of-date program rules receiving the most significant attention in recent years have been the harsh asset limits imposed on SSI recipients. Individuals eligible for SSI are not permitted to exceed $2,000 in savings and all other countable resources, including retirement accountsmarried couples must not hold over $3,000. These asset limits were last updated in the 1980s and would be over five times larger if adjusted for inflation since the program first started.[5] SSI's savings penalties, which are among the most regressive anti-savings measures in federal law, prevent recipients and their families from having even modest emergency savings. For beneficiaries able to do some work, these penalties cause many to turn down work

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1 https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/#table3
2 https://thehill.com/opinion/finance/3532554-congress-should-give-ssi-asset-limits-a-21st-century-upgrade/
3 https://thehill.com/opinion/finance/3532554-congress-should-give-ssi-asset-limits-a-21st-century-upgrade/
4 https://www.niskanencenter.org/will-congress-open-up-middle-class-family-life-to-ssi-recipients/
5 Authors' calculations using the BLS CPI Inflation Calculator

opportunities, as well as raises, bonuses, and participation in 401k plans for fear of losing their benefits.

Significant administrative challenges for the Social Security Administration, which administers the SSI program, could have been avoided in recent years if the asset caps had kept up with price increases. Many SSI recipients received stimulus checks during the pandemic recovery that pushed their savings above the program's paltry savings limits. Despite the SSA's own policies stating that those dollars would be disregarded from asset determinations, in many cases the SSA has reduced recipients' benefits or suspended them entirely.[6] While SSA has taken steps to address these errors, the hardship experienced by recipients – and the administrative errors SSA now needs to clean up —would have been avoided if they were allowed more adequate savings levels.

Previous attempts to help recipients save more relied on special, supplemental savings accounts (called ABLE accounts). This policy avenue may be useful to some, but overall has had an underwhelming impact. A 2023 survey by the Financial Health Network found that over 90 percent of people with disabilities were unfamiliar with ABLE accounts, while recent data from the National Association of State Treasurers indicates that the take-up rate among those eligible is under 5%.[7][8] The additional rules and regulations associated with ABLE accounts are often too difficult to maneuver without help from a lawyer or tax professional, contributing to their extremely low usage.[9][10] Addressing the root cause by updating SSI's asset limits would enable SSI beneficiaries to save whether or not they can navigate a complex additional system.

Veterans on SSI: A Closer Look

An underdiscussed component of the recent SSI policy conversations is that approximately 300,000 veterans receive SSI benefits and are subjected to these outdated financial requirements[11] Most of this veteran population is of retirement age or approaching it: 35% are at least 65 years old and 45% are between the ages of 55 and 64.[12]

Why do these veterans receive SSI? The vast majority – about 240,000 total – don't receive VA disability cash benefits, and those who do get some VA benefits require additional support in order to make ends meet. Disabled veterans whose impairments are not attributable to their service will not qualify for the VA's service-connected disability benefits.[13] And while VA pension coverage for non-service disabilities is stronger now than for veterans of the earliest American wars, there are still veterans with disabilities requiring support through SSI.[14] Many of the veterans requiring SSI are unlikely to have served the required time on active duty *during an official wartime period* to qualify for a VA pension.

A plurality of the veterans on SSI – 46.5% of the total – served between May 1975 and July 1990, which is the official peacetime period after the Vietnam War and before the Gulf War. Another 22.5% of the veterans on SSI technically served during the Vietnam War period, which could be explained by the fact that soldiers geographically outside of Vietnam during the first nine or so years of the Vietnam War are not considered as having served during an eligible wartime period to qualify for VA pensions either.[15]

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6 https://kffhealthnews.org/news/article/social-security-overpayments-congress-hearing/

7 https://finhealthnetwork.org/research/the-financial-health-of-people-with-disabilities/

8 https://www.abletoday.org/national-able-data

9 https://thehill.com/opinion/congress-blog/3778878-raising-the-roof-congress-should-increase-ssi-asset-limits-now/

10 https://www.nytimes.com/2019/06/07/your-money/able-accounts-savings-disabled.html

11 https://www.ssa.gov/policy/docs/ssb/v66n2/v66n2p1.html

12 Authors' calculations using CPS ASEC data from 2019 to 2023.

13 https://www.va.gov/disability/eligibility/

14 https://thehill.com/opinion/congress-blog/4077056-americas-oldest-and-best-disability-benefit-system/#:~:text=Although%20the%20Social%20Security%20Act,starting%20with%20the%20American%20Revolution.

15 https://www.va.gov/pension/eligibility/

As a result, although veterans in the U.S. are generally recognized as experiencing lower relative levels of poverty, the reality is more complicated at closer look.[16] Veterans who only served during peacetime – those often ineligible for VA disability benefits – experience higher poverty rates than those who served during war periods.[17] Recent Social Security Administration research also indicates how veterans approaching retirement age (ages 55-61) hold slightly higher poverty rates than non-veterans.[18] Many veterans on SSI served during the 1975-1990 peacetime period and are now in that near-retirement age demographic.

Policy considerations

Policymakers could make a real difference for these 300,000 veterans and millions of other recipients by modernizing SSI's outdated requirements. One policy option which has been receiving significant bipartisan support and attention in recent months, is updating SSI's asset limits to address savings and marriage penalties associated with the program.

Bipartisan legislation that has been introduced in both the House and Senate, called the SSI Savings Penalty Elimination Act, would raise the asset caps to $10,000 for individuals and $20,000 for couples. Importantly, it would also index those levels to inflation moving forward.[19] This set of reforms would help remove significant barriers to savings and has been embraced by policy experts, advocates, and stakeholders across the political spectrum.

Moving forward, lawmakers could reform other facets of the SSI program that would positively impact this group of veterans, as well as all other SSI recipients. Options include:

- Bringing the maximum benefit size up to at least the federal poverty line
- Updating the unearned income disregard and earned income disregard (from $20/month and $65/month respectively) at least for inflation
- Ensuring that the benefit size provided to SSI married couples is exactly double the amount provided to single recipients to eliminate a serious marriage penalty in the program
- Reforming benefit reductions for in-kind support to allow friends and family to better contribute to a recipient's wellbeing and participate in their life

Conclusion

SSI serves as a financial lifeline to millions of older and disabled Americans. However, decades of neglect by federal policymakers have led key elements of the program to trap recipients in poverty, including an under-discussed 300,000 veterans in poverty when the program was intended to provide a lifeline out. As policymakers consider reforms to SSI, such as updating the program's asset limits for inflation, at least 300,000 of the nation's veterans stand to be impacted.

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16 https://www.pewresearch.org/short-reads/2019/12/09/veteran-households-in-u-s-are-economically-better-off-than-those-of-non-veterans/

17 https://www.va.gov/vetdata/docs/SpecialReports/Profile_of_Veterans_In_Poverty_2017.pdf

18 https://www.ssa.gov/policy/docs/ssb/v79n1/v79n1p1.html

19 https://www.cassidy.senate.gov/newsroom/press-releases/cassidy-brown-announce-first-update-to-social-security-income-program-for-disabled-elderly-americans-since-1980s/#:~:text=WASHINGTON%20–%20U.S.%20Senators%20Bill%20Cassidy,Americans%20for%20saving%20for%20emergencies