



# Resolving PTD Claims

Leveraging SSDI

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# Spread Language

# MO Spread Language Example

**“Employee elects that the net sum of \$100,000 received from this settlement constitutes a prorated amount received by Employee of \$191.68 per week, which would be owed to employee if this net sum were paid on a weekly basis from the date this settlement is approved by the Div. of Workers’ Compensation for the remainder of the Employee’s expected life ( $\$100,000 / 522 \text{ weeks} = \$191.57$ ). On a monthly basis, the prorated amount is \$830.13 per month.”**

# Spread Language

**\$100,000 net to employee**

**Life expectancy: 10 years = 522 weeks**

**$\$100,000 / 522 = \$191.57$  per week**

**$= \$830.07$  per month**

# Social Security Disability Income payments

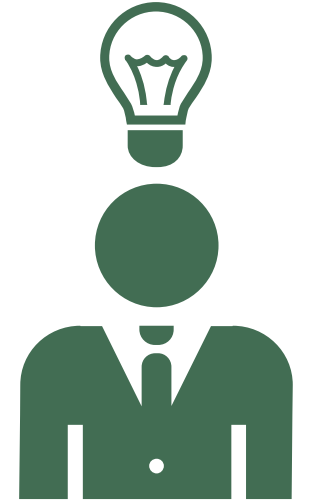
## Section 224 of the Social Security Act (42 USC 424a)

- Ceiling on combined SSDI and state WC benefits
  - Social Security Offset
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# SSDI benefit payments

- Max Benefit: SSA POMS 01 52001.600

WC + SSDI = 80% of Avg Current Earnings (ACE)



# SSDI Offset Example

**80% of ACE = \$1,000 per month**

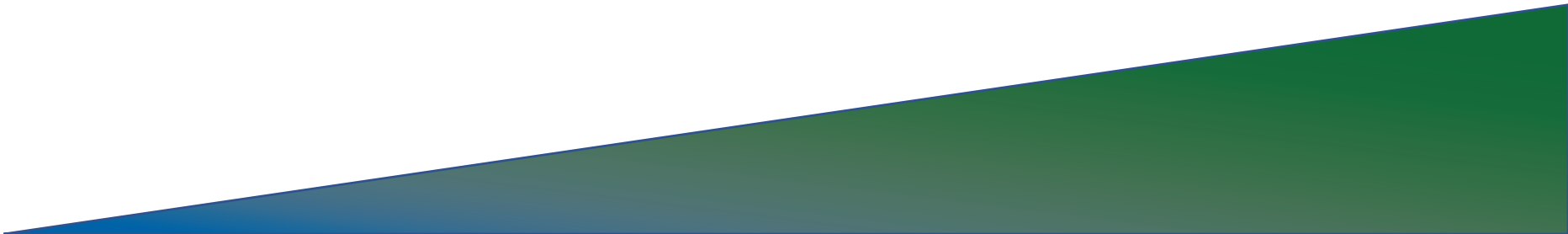
**WC = - \$830 per month**

**SSDI = \$170 per month**



# Average Current Earnings (ACE)

## Highest of 3 numbers

1. High-1 formula: Based on the 1 calendar year in last 5 in which the worker's covered earnings were highest (used 95% of time)
  2. High-5 formula: Based on the 5 consecutive years after 1950 with the highest covered earnings
  3. AMW formula: Avg. monthly wage based on unindexed covered earnings
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# Soc. Security Disability payment

<https://www.ssa.gov/OACT/quickcalc/index.html>

# Benefit Calculators



## Social Security Quick Calculator

[Benefit Calculators](#)

[Frequently Asked Questions](#)

Benefit estimates depend on your date of birth and on your earnings history. For security, the "Quick Calculator" does *not* access your earnings record; instead, it will [estimate your earnings](#) based on information you provide. So benefit estimates made by the Quick Calculator are rough.

Although the "Quick Calculator" makes an initial assumption about your past earnings, you will have the opportunity to change the assumed earnings (click on "See the earnings we used" after you complete and submit the form below).

You must be at least [age 22](#) to use the form at right.

Lack of a substantial earnings history will cause retirement benefit estimates to be unreliable.

Enter your date of birth (month/day/year format)  /  /

Enter earnings in the current year: \$

Your annual earnings must be [earnings covered by Social Security](#).

If you entered 0, we assume you are now retired. Enter the last year in which you had covered earnings and the amount of such earnings.

Year:  Earnings: \$

### Future retirement date option

If you have decided upon a retirement date, enter the month number and year in which you plan to retire. Month  Year

By "retirement date," we mean the month in which you intend to stop working. We assume that this is also the month for which you want benefits to begin. However, if you enter a date before you are eligible for benefits, we will assume you want to start receiving benefits at the earliest possible age (age 62).

Note that using this option gives only one benefit estimate. If you do not give a retirement date *and* if you have not reached your [normal \(or full\) retirement age](#), the Quick Calculator will give benefit estimates for three different retirement ages.

Select to see your benefit estimate in

☒ today's dollars or ☐ inflated (future) dollars

## Benefit Calculators

**Quick Calculator** Benefit Estimates

August 23, 2021

**Retirement**

At right is the information you provided. Below that are estimated benefit amounts for retirement at 3 different ages, including your [normal \(or full\) retirement age](#) (67). We assume you will work every year up to the year in which you begin receiving benefits.

As shown in the table, you can receive a monthly benefit starting at age 62 and 1 month that would be reduced for life due to early retirement. If you choose to delay the start of benefits to a higher age, you can then receive a larger monthly benefit for the rest of your life.

For example, if you start taking benefits at age 62 and 1 month, you will receive \$1,011 per month for the rest of your life. But if you wait until age 67 to start receiving benefits, you will get \$1,473 for the rest of your life. So by waiting until age 67, you can then receive \$462 more per month than if you started lower monthly benefits at 62 and 1 month. Remember, these estimated figures are in today's dollars.

Social Security benefits are the foundation on which to build a financially secure retirement. Savings and pensions also are key components of your retirement plan.

**Information you submitted**

Date of birth: <b>3/27/1980</b>
Current earnings: <b>\$35,000.00</b>
Benefit in <b>year-2021</b> dollars

**Retirement Benefit Estimates**

Retirement age	Monthly benefit amount <sup>1</sup>
62 and 1 month in 2042	\$1,011.00
67 in 2047	\$1,473.00
70 in 2050	\$1,847.00

<sup>1</sup> Assumes no future increases in prices or earnings.

We have calculated your benefits by making certain assumptions about your past earnings. Please look at these earnings to see if they appear reasonable to you. You can change them and see the effect on your benefit estimates!

[See the earnings we used](#)**Disability/Survivor**

For disability and survivors estimates, we assumed that you became disabled or died **today**. We did not use future earnings in calculating those estimates.

Disability	Monthly benefit amount
You	<b>\$1,312.00</b>

Your spouse and children may also qualify for benefits.

Survivors	Monthly benefit amount
Your child	\$994.00
Your spouse caring for your child	\$994.00
Your spouse at normal retirement age	\$1,326.00
Family maximum	\$2,055.10

# Example: Injured Worker

Age:	41.5
Life Expectancy (years):	37.4
(months):	449
Annual Income:	\$35,000.00
State:	Missouri

# PTD Payment

Annual Income:	\$35,000.00
Average Weekly Wage:	\$673.08
WC rate (subject to limit):	2/3 <sup>rds</sup>
Weekly PTD:	\$448.72
Monthly PTD:	\$1,944.44

# Apply the Offset

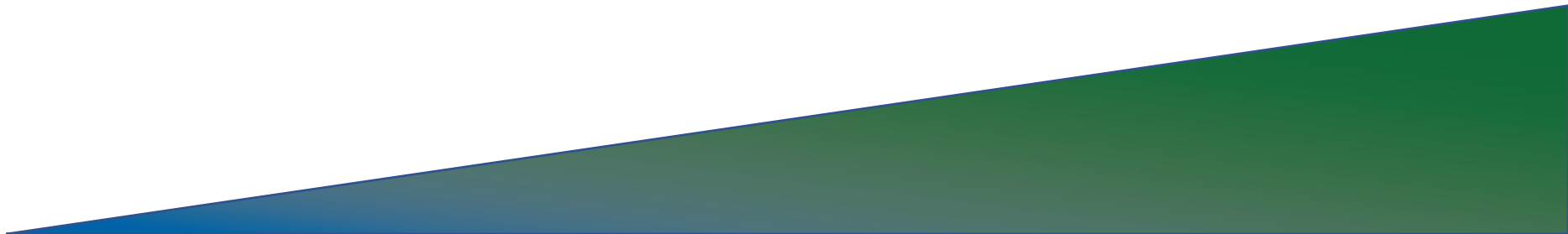
Avg. Current Earnings (ACE):	\$35,000.00
80% of ACE:	\$28,000.00
80% (monthly):	\$2,333.33
Monthly PTD:	- <u>\$1,944.44</u>
<b>Allowable from SSDI:</b>	<b>\$388.89</b>

# Maximize SSDI benefit

	Pre		Our
	<u>Settlement</u>		<u>Goal</u>
80% of pre-injury income:	\$2,333.33		\$2,333.33
Less WC monthly payment:	<u>(\$1,944.44)</u>		<u>(\$1,021.33)</u>
SSDI payment after WC offset:	\$388.89		\$1,312.00



# Settlement Value



# Settlement Value

- an example

Total payments over LE: (\$1,944.44 / month x 449 months)		\$873,053
Discount rate:		5.0%
Present Value:		\$394,521

# Spread Re-Check

Total payments over LE:	\$ 873,046.83
Discount rate:	5.0%
Present Value (Settlement Value):	\$394,518.39

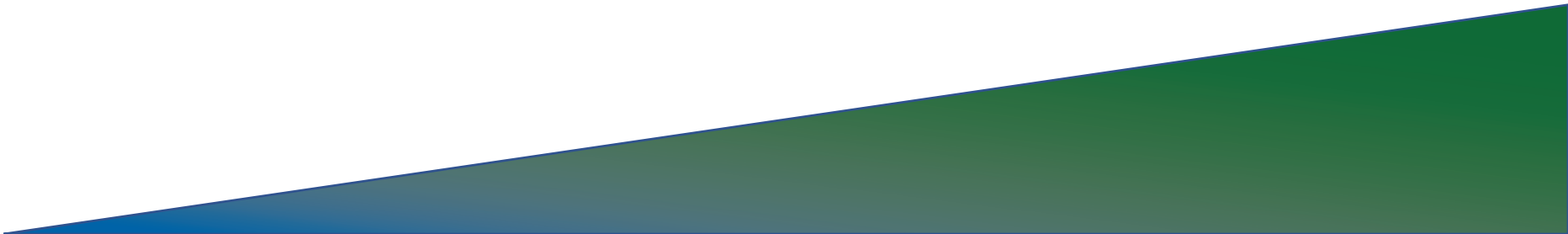
<u>Revised "Slide" Amount for SSDI Offset</u>	
Settlement Value:	\$394,518.39
÷ Life Expectancy (months):	<u>÷ 449</u>
Post-settlement pro-rated WC benefit:	= \$878.66

# Maximize SSDI benefit

Settlement Value @ 5% = \$394,518			80%
			<u>of AWW</u>
SSDI max payment			\$1,312.00
Life annuity, monthly			<u>\$1,021.33</u>
Total payments			\$2,333.33

Annuity cost: \$302,002

# Considerations

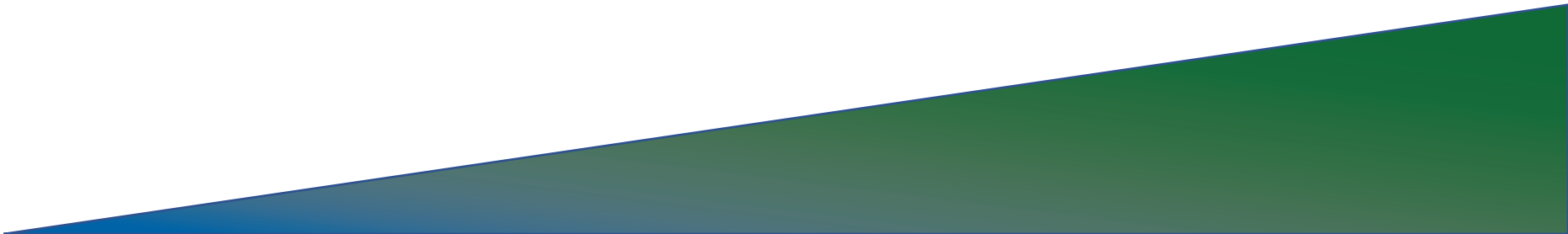
- Offset affects lower income workers more
  - Employee not close to full retirement age
  - With or without annuity
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# Documenting the offset

- Included spread language
- Employee was given choice of lump sum payment or lump sum plus annuity

# Social Security Rulings – SSR 81-32

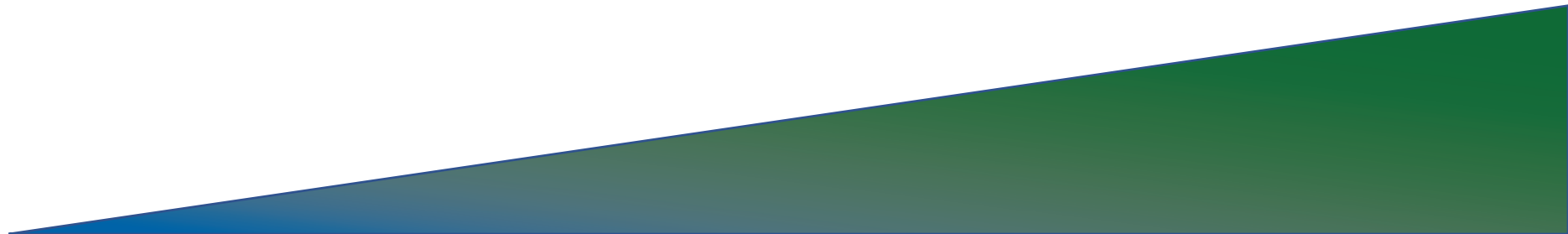
“If a worker who is entitled to disability insurance benefits (DIB) is awarded an annuity under a workmen’s compensation (WC) award, the amount of the reduction of the worker’s DIB under section 224 of the Social Security Act (the Act) depends on whether the WC award gives the worker an option of receiving a cash lump-sum payment in place of the annuity.”



# Social Security Rulings – SSR 81-32

Offset based on Lump Sum Cost

Offset base on Annuity Payment (no choice)



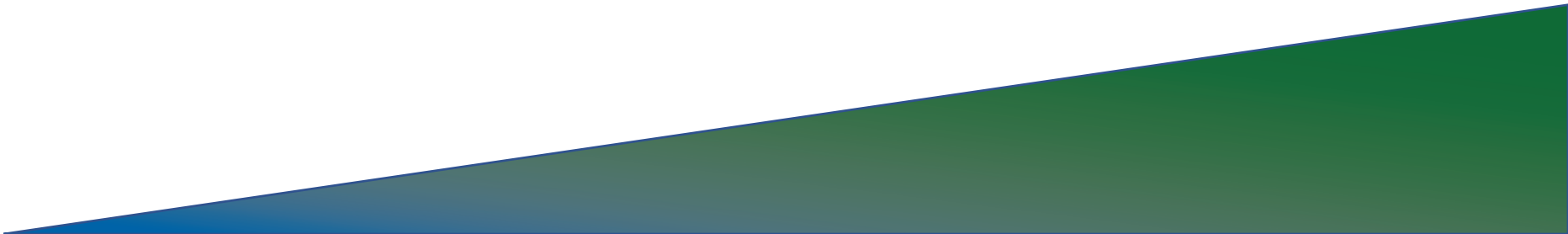


# Social Security Rulings – SSR 81-32

## Offset based on Lump Sum Cost

### Chapter DI 52001.020

“Where the WC award provides that a worker shall have the option of receiving a lump sum or an annuity in lieu of statutory periodic benefits, the lump sum or purchase price of the annuity (not including interest) is offsettable according to the normal proration rules in DI 52001.555”



# Social Security Rulings – SSR 81-32

## Offset based on Annuity Payment (no choice)

Chapter DI 52001.020 B 2

“If the worker has no option, (e.g. the carrier’s policy is to pay in a certain manner) the amount of the LS or purchase price of the annuity is offsettable as of the time the annuity payments are actually received by the worker and over the time frames represented by the payments, if any.”

