Asset Limit Reform in the Supplemental Security Income (SSI) Program: Remove the Penalty for Saving

People with disabilities face significant challenges to building wealth and achieving financial security. Nearly 50 million Americans have a disability; close to 60% of these are asset poor, meaning they have insufficient assets to survive at the poverty level for three months. Additionally:

- For the population 16-64 years of age, only 27.5% of people with a disability are employed; more than 14 million people with disabilities are unemployed.
- 54% of people with disabilities have no savings accounts.
- 69% of people with disabilities do not have a checking account.
- Only 10% of people with disabilities own homes, compared to 68% of those without disabilities.

Unfortunately, the current asset test used to determine eligibility for public benefits – intended to provide a safety net – for people with disabilities actually *discourage* many from seeking work, saving and moving into a more secure financial position.

SSI Asset Resource Limits:

The Supplemental Security Income (SSI) program is the primary provider of subsistence cash to extremely low-income seniors and people with disabilities. Eligibility for the program is determined by both income as well as wealth. SSI sets a threshold level for income and assets. Asset limits were last set in 1989 and have never been adjusted for inflation: savings are limited to $2,000 for an individual and $3,000 for a couple. While some assets, such as the recipient's home or one car, do not count against the asset limit, the SSI test generally counts all resources deemed accessible to an individual, including defined-contribution retirement accounts like 401(k)s and IRAs.

These limits discourage SSI recipients from working, saving and building up a nest egg that could help them move into a more secure, independent and financially stable position. The asset test:

- Discourages employment and savings for fear of exceeding the asset limit but lacking sufficient income and resources to subsist without the SSI benefit.
- Discourages many young people with disabilities from securing a first job, to gain experience which will likely lead to full-time work and employment with benefits.
- Forces many to stay unbanked or to spend down any savings to remain eligible for their SSI benefits.
- Prevents SSI recipients from saving for retirement or post-secondary education (any savings in a retirement or education savings account is currently counted against the resource test).
- Limits opportunities for low-income people with disabilities to save for homeownership.
- Is a costly burden to administer.

Without the ability to build financial reserves and resources, participants in the SSI program are relegated to a poverty-line existence.

Recommended Action: Cosponsor SSI Savers Act of 2010 (H.R. 4937)

The SSI asset test should be reformed to encourage recipients to pursue work, build savings that help sustain a higher quality of life and save to pursue post-secondary education, homeownership and retirement.

SSI asset limits are set by the federal government which gives Congress the direct ability to reform the guidelines of the program's asset tests. The SSI Savers Act of 2010 (H.R. 4937) proposes

- Raising the asset limit to $5,000 for a single and $7,500 for joint filers and index these limits for inflation in the future.
- For non-institutionalized individuals under the age of 65, excluding $50,000 in retirement savings ($75,000 for a couple) from inclusion in the asset test.
- For non-institutionalized individuals age 65 or older, excluding savings in qualified retirement accounts below $10,000 for an individual and $15,000 for a couple or household, savings beyond this amount shall be considered income in an amount equal to the annuity value of the assets.
- For non-institutionalized individuals age 65 or older, disregarding one-third of the funds drawn down from retirement accounts when calculating household income.
- Remove the requirement that SSI recipients, if eligible, must apply for periodic payments from their retirement savings.
- Exclude Education Savings Accounts and Individual Development Accounts funded all or in part with federal dollars or defined in federal programs for those under age 65.

Resource Information:

Changing Medicaid and SSI Rules to Encourage Retirement Savings, Center on Budget and Policy Priorities: http://www.cbpp.org/pdf/9-12-08asset-brief.pdf

Defined Contribution Pension Plans and the Supplemental Security Income Program, Social Security Administration: http://retirement.gov/policy/docs/policybriefs/pb2006-01.pdf

SSI recipients by state and county, Social Security Administration: http://www.ssa.gov/policy/docs/statcomps/ssi_sc/

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