

Income Averaging

Fact Sheet 2021

What does Social Security consider when you receive SSDI and work?

When a Social Security Disability Insurance (SSDI) beneficiary works and has completed their Trial Work Period (TWP), Social Security will compare their gross monthly earnings (before taxes) and work pattern, to a monthly threshold referred to as Substantial Gainful Activity (SGA). In 2021, that amount is \$1,310 or \$2,190 if you are blind. The SGA amount usually changes annually. This is how it generally works: If you gross at or above SGA, you will *not* be entitled to your SSDI payment for that month, however, if you gross *below* SGA, you will be entitled to your SSDI payment.

What is Income Averaging?

Income Averaging is a tool that Social Security uses with SSDI beneficiaries who are self-employed or whose monthly earnings fluctuate greatly. When determining whether work income is SGA, Social Security will use your average monthly earnings, rather than a month-to-month comparison.

How does it work and how can it help me?

Social Security will *add* your countable earnings within the review period they establish, and then *divide* by the number of months worked during the review period, which *equals* your average monthly earnings. Consequently, if your earnings fall below SGA, your cash benefits will continue.

Income Averaging Example:

In 2021, John worked a temporary part-time job and his earnings fluctuated during the 12 months he was employed. He previously completed his TWP. The following chart shows John's actual gross monthly earnings that he reported to his local Social Security office:

Month	Earnings	Month	Earnings
Jan.	\$ 850	Feb.	\$1,310
March	\$ 0	April	\$ 900
May	\$1,320	June	\$ 850
July	\$ 0	Aug.	\$ 950
Sept.	\$1,340	Oct.	\$1,000
Nov.	\$1,500	Dec.	\$1,500

- Total 12-Month Period Earnings: \$11,520
- Average 12-Month Period Monthly Earnings: \$960 ($\$11,520 \div 12$ months of gross earnings)

Since SGA in 2021 is \$1,310, John is found *not* to be performing SGA, even though 5 of the 12 months were at or above the SGA amount for 2021.

Can I request Income Averaging?

Yes. If you know your earnings will fluctuate greatly, it is highly recommended that you discuss this work incentive with your local Social Security Claims Representative when reporting your work activity for the first time. In addition to this, you should consistently report your gross monthly earnings to ensure Social Security has current and accurate information about your case. Ultimately, reporting and/or income averaging can help prevent overpayments.

When can Income Averaging be used?

Income Averaging can only be used once you have completed your TWP. **Note:** Income Averaging cannot be used if your SSDI payment had previously stopped due to earning SGA.

For more information about **Work Without Limits Benefits Counseling** contact

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