Social Security Benefits Are Not Paid for the Month of Death

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Summary

Social Security benefits are not paid for the month in which a beneficiary dies. In most cases, the check that an individual receives in a given month represents payment for the preceding month. In other words, by design, the check (or direct bank deposit) arrives after the month for which it applies. In cases where a beneficiary dies late in the month, the Social Security Administration often is not notified of the death in time to stop the payment. When family members are informed that the check must be returned, they often complain that the policy is unfair and creates a financial hardship because the deceased beneficiary incurred expenses for part (or even most) of the month.

Legislation is introduced routinely that would pay a full benefit for the month of death or a pro-rated benefit based on the proportion of the month that the beneficiary was alive. Supporters of such legislation argue that withholding benefits for the month of death does not make sense given that a person's bills do not stop at the beginning of the month in which they die. They argue that the public views the policy as anomalous in a system designed to provide monthly income to retirees, the disabled, and survivors of deceased workers.

Critics of such legislation argue that paying full benefits for the month of death would cost an estimated $1.6 billion annually (excluding administrative costs). They point out that a deceased beneficiary's spouse and children can collect survivor benefits for the month of death, regardless of when the death occurred; that survivors may be entitled to a $255 lump-sum death payment; and that those seeking to have benefits paid for the month of death have little appreciation for the administrative difficulties involved in determining who should get the more than 2 million final benefit checks issued each year.

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Background

Section 202 of the Social Security Act states that benefits are paid through the month before the month in which a beneficiary dies. Thus, no benefits are paid for the month of death. This rule has been in the law since 1939. The rule does not apply to Medicare which provides benefits up to the date of death.

Social Security benefits are paid on a monthly basis. The check (or direct bank deposit) for each month's benefit is issued in the following month. For example, the check that an individual receives in February is the benefit payable for January. This is referred to as a retrospective payment system. If a beneficiary dies late in the month, family members or the executor of the estate may not notify the Social Security Administration (SSA) in time to stop the payment. Subsequently, they are informed that the check must be returned to the government.[1]

Members of Congress are asked often to support legislation that would provide a full or partial benefit payment for the month of death. The following section presents common arguments for and against paying Social Security benefits for the month of death.

Arguments For and Against Paying Benefits for the Month of Death

Arguments for Changing the Current Policy

Critics of the current policy argue that withholding benefits for the month of death does not make sense. They maintain that a person's bills do not stop at the beginning of the month in which they die. Moreover, the deceased beneficiary's family members or estate have to pay funeral and burial expenses. The unfairness of the policy is often illustrated with a comparison of the individual who dies on the last day of the month and receives no benefit for that month, and the individual who dies at 12:05 a.m. the next day and receives a full benefit for the preceding month. Critics complain that the current policy is cruel in that it adversely affects individuals who are already distressed by the death of a family member. They find the circumstances in which a check must be returned to the government to be the most incomprehensible. Persons who are affected often ask questions such as *Do you mean my father (or mother) had to live each day of their final month to get a benefit for that month? Why are family members placed at a disadvantage when a beneficiary dies at the end of the month after having incurred living expenses throughout most of the month? How could the government have established such a policy?* Critics contend that the public views the policy as an anomaly—as a mistake in the design of the Social Security system. If the policy was intended to reduce the cost of the system, they see it as a "poor" device to do so. They argue that the policy discredits the system by creating the impression that it is arbitrary, unbending and thoughtlessly bureaucratic. They maintain that benefits should be paid at least for the part of the month that the beneficiary was alive.

[1] Data provided by SSA show that 90% of Social Security payments made by direct deposit for the month of death in 2009 have been returned (approximately $14.4 million out of $16.0 million as of May 2010). This figure includes payments made by direct deposit only (it does not include payments made by mailing a check); 87% of Social Security payments are made by direct deposit.

Arguments for Retaining the Current Policy

Supporters of the current policy argue that paying benefits for the month of death would be costly. SSA estimates that paying full benefits for the month of death would cost $1.6 billion annually. Alternatively, paying 50% of the benefit if the beneficiary dies in the first half of the month, and a full benefit if the beneficiary dies in the second half of the month, would cost an estimated $1.2 billion annually. Pro-rating the benefit based on the number of days the beneficiary was alive during the final month would cost an estimated $800 million annually.[2] SSA also estimated the increase in benefit payments under a proposal in which (1) a full benefit for the month of death would be payable to a surviving spouse (the surviving spouse would not be required to have been living with the beneficiary when the death occurred or to be entitled to benefits), or (2) if there is no surviving spouse, a pro-rated benefit based on the number of days the beneficiary was alive during the final month would be payable. SSA estimated that the proposal would increase benefit payments by $13.2 billion over 10 years (2004-2013).[3]

Supporters of the current policy also point out that the system pays benefits to an individual beginning with his or her first month of entitlement, regardless of when entitlement began during the month, and that this provides rough balance in the system for not paying benefits for the month of death. Moreover, survivor benefits are payable to eligible family members beginning with the deceased beneficiary's month of death, regardless of when the death occurred during the month. In addition, the spouse who was living with the worker, or a spouse or child eligible for survivor benefits, may receive a Social Security lump-sum death payment of $255. They contend that there is little appreciation for the administrative difficulties (and potential costs) involved in determining who should receive the deceased beneficiary's benefit for the month of death. Because SSA cannot simply mail a check to the deceased beneficiary, SSA would have to determine who should receive the payment. Given that more than 2 million beneficiaries die each year, this would require a labor-intensive process, similar to the taking of regular benefit applications.[4] Each case would have to be investigated, and if there are multiple family members, the payment may have to be split. Careful attention would have to be given to determining the proper payee(s) in each case.

[2] SSA estimates are unpublished data for 2002. Estimates reflect an increase in benefit payments only—they do not take into account an increase in administrative costs as a result of the policy change. Estimates assume no change in auxiliary benefits (benefits paid to family members based on the deceased beneficiary's work record).

[3] SSA estimates prepared in 2003 assume the proposal would be effective for deaths after 2003 and are based on the intermediate assumptions of the 2003 Social Security Trustees' Report. Under the proposal, the increase in benefit payments would be subject to the family maximum.

[4] Data on the number of benefits terminated in 2008, by reason for termination (including death), are published in SSA's *Annual Statistical Supplement, 2009* (see table 6.F2 at http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2009/6f.pdf). If a lump-sum death benefit is payable under current law, the process of determining the proper payee(s) would be less difficult. Other cases would require more thorough investigation.

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