

# UNDERSTANDING THE SOCIAL SECURITY FAMILY MAXIMUM

by Kathleen Romig and Dave Shoffner\*

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*Social Security's family maximum rules limit the total benefits payable to a beneficiary's family. Different family maximum rules apply to retirement and survivor benefits than to disability benefits. The rules for calculating family maximum benefits are complicated. In some particularly complex cases, it is difficult to properly implement the family maximum, which can result in over- or underpayments. This article explains how the family maximum rules work and describes their evolution. We use Modeling Income in the Near Term, Version 6 data to analyze who is affected by the family maximum and to what extent their benefits are changed.*

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## Introduction

Workers receive Social Security retirement and disability benefits based on their covered earnings. Members of their families may also qualify for benefits based on those earnings—for example, their survivors, spouses, and children. Benefits for family members have always been limited by the family maximum rules. In 1980, Congress established more restrictive rules for the families of disabled workers, reflecting concerns that some disability beneficiaries were financially as well off, or better off, when receiving benefits than they were when working. The family maximum rules have evolved over time and have become more complicated for all beneficiaries, which in some cases make them difficult to implement. If not implemented correctly, the Social Security Administration (SSA) may pay beneficiaries improperly.

In this article, we describe the current family maximum rules using illustrations of different benefit types. We also describe the rules for beneficiaries entitled to benefits on multiple earnings records. We explain how the family maximum rules have evolved over time and then provide an analysis of the rules at different earnings levels, by comparing those for retirement and survivor families with those for disability families. Using Modeling Income in the Near Term, Version 6 (MINT6) data, we analyze who is

affected by the family maximum and to what extent their benefits are changed.

## Major Findings

SSA's family maximum rules are complex and affect beneficiaries in different ways, depending on their earnings levels and benefit types. In particular, the rules that apply to disability beneficiary families differ significantly from those that apply to retirement and survivor beneficiary families. Our findings include the following:

- The disabled family maximum affects many more families and a wider range of family sizes than the retirement and survivor family maximum because more restrictive rules apply to disability benefits.

### Selected Abbreviations

AIME	average indexed monthly earnings
AWI	average wage index
DI	Disability Insurance
MINT	Modeling Income in the Near Term
OASI	Old-Age and Survivors Insurance
PIA	primary insurance amount
SSA	Social Security Administration

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- Retirement and survivor beneficiary families are not affected by the family maximum rules unless three or more family members receive benefits; when those beneficiary families are affected, auxiliary beneficiaries (or auxiliaries) always receive partial benefits.
- Disability beneficiary families, by contrast, sometimes lose all of their auxiliary benefits, even in cases where only one family member qualifies. All disability families with three or more beneficiaries are affected by the family maximum and more than half of families with two beneficiaries are affected.
- Among families affected by the family maximum, reductions can be substantial. For affected disabled-worker families, we estimate that the median reduction is about 33 percent; for survivor families, about 23 percent; for retired-worker families, about 14 percent. For some family members of disabled workers, the family maximum rules prevent a benefit from being paid at all.

### ***Current-Law Family Maximum Rules***

In this section, we provide the current basic family maximum rules for retirement and survivor benefits and for disability benefits. We also discuss current-law rules that are common to both types of benefits.

#### ***Rules for Retirement and Survivor Benefits***

The family maximum formula for Old-Age and Survivors Insurance (OASI) benefits is based on a beneficiary's primary insurance amount (PIA). The PIA is a beneficiary's basic Social Security benefit amount before adjustments for retirement age, earnings, and other factors.<sup>1</sup> For a worker who reaches age 62 or dies in 2015 (before reaching age 62), SSA calculates the family maximum using the following formula:

150 percent of the first \$1,056 of the worker's PIA *plus*

272 percent of the worker's PIA over \$1,056 through \$1,524 *plus*

134 percent of the worker's PIA over \$1,524 through \$1,987 *plus*

175 percent of the worker's PIA over \$1,987.

Ultimately, this formula yields a maximum for each family that is between 150 percent and 188 percent of the worker's basic Social Security benefit, or PIA.<sup>2</sup> The final amount is rounded to the next lowest ten cents. The dollar amounts in the family maximum formula increase each year according to average wage growth.<sup>3</sup>

#### ***Rules for Disability Benefits***

Disability Insurance (DI) beneficiaries are subject to a more restrictive set of family maximum rules than are OASI beneficiaries. As with OASI beneficiaries, people who became entitled to disability benefits before 1979 are subject to a different family maximum formula. The family maximum for a disabled worker is 85 percent of the worker's average indexed monthly earnings (AIME), a measure of lifetime earnings.<sup>4</sup> However, the family maximum for a disabled worker's family cannot be more than 150 percent or less than 100 percent of his or her PIA. The final amount is rounded to the next lowest ten cents.

#### ***Rules Common to Both OASI and DI***

The family maximum rules are applied in the same way for both OASI and DI benefits. First, the family maximum amount is established based on the worker's PIA or AIME. Then, the worker's benefit is subtracted from the total benefit amount payable to the family. Next, the auxiliaries' benefits are reduced proportionately. The worker's own benefit is never reduced; only the benefits of his or her auxiliaries are reduced. The benefits for divorced spouses (including surviving divorced spouses) are never reduced.

#### ***Illustrations of the Family Maximum***

The following exhibits show how the family maximum rules work, using simplified examples of beneficiary families. We compare benefit amounts before applying the family maximum rules with those after applying those rules. We assume that there are no reductions to full benefit amounts,<sup>5</sup> and we use the 2015 family maximum and PIA formulas.

**Survivors of a deceased worker.** Table 1 illustrates a case in which a worker dies and is survived by a working-age spouse and two children, all of whom qualify for survivor benefits.<sup>6</sup> We assume the worker has an AIME of \$2,253 and in turn has a PIA of \$1,200.<sup>7</sup> The rules that apply to survivor beneficiaries are the same as those that apply to families of retired workers.

**Family of a disabled worker.** Table 2 illustrates a case in which a worker becomes disabled and has a spouse and two children who qualify for auxiliary disability benefits. We assume, as we did in Table 1, that the worker has an AIME of \$2,253 and a PIA of \$1,200.

**Special cases.** Most family maximum cases follow the standard family maximum rules that apply to OASI and DI cases, as shown earlier. There are

**Table 1.**  
**Illustration of the family maximum rules for a surviving family, 2015**

<i>Assumptions:</i>	<i>Worker's AIME = \$2,253</i> <i>Worker's PIA = \$1,200</i>
<i>Family maximum:</i>	<i>OASI family maximum (on the worker's PIA):</i> <i>150% × \$1,056 + 272% × \$144 = \$1,976</i>

Characteristic	Monthly benefit amount (\$)	Rule applied
<b>Before family maximum</b>		
Survivor benefits		
Spouse	900	75% of the worker's PIA
Child 1	900	75% of the worker's PIA
Child 2	900	75% of the worker's PIA
Total family benefit	2,700	Sum of the survivor benefits
<b>After family maximum</b>		
Survivor benefits		
Spouse	659	1/3 of the family maximum amount
Child 1	659	1/3 of the family maximum amount
Child 2	659	1/3 of the family maximum amount
Total family benefit	1,976	Sum of the survivor benefits, capped by the family maximum amount

SOURCE: Authors' calculations.

NOTE: Dollar values are rounded to the nearest dollar for presentation purposes, but would actually be rounded down to the nearest dime. AIME = average indexed monthly earnings; OASI = Old-Age and Survivors Insurance; PIA = primary insurance amount.

also additional rules that apply for more complicated situations. We briefly describe those rules below and include three detailed illustrations of them in Appendix Tables A-1 through A-3. It is in these complex cases that improper payments are most common, as indicated in a recent SSA Office of the Inspector General report.<sup>8</sup> The incorrect payments generally occur because they are calculated manually by SSA employees. The agency uses an automated system to check standard family maximum cases; for more complicated cases—such as dually entitled spouses (for example, individuals receiving both a worker benefit and a partial spouse benefit), “child-in-care” benefits, or combined family maximum cases—there is no such automated review.

**Dually entitled beneficiaries.** These beneficiaries are entitled to worker benefits based on their own earnings as well as auxiliary benefits based on someone else's earnings.<sup>9</sup> In dual entitlement cases where the auxiliary benefit is higher than the worker benefit, the dually entitled beneficiary receives his or her full worker benefit in addition to a partial auxiliary benefit.

The total benefit is the same amount as the full auxiliary benefit. For these dually entitled beneficiaries, the family maximum only applies to the auxiliary portion of the benefit.

For cases in which a person is eligible for both a worker benefit and an auxiliary benefit, the auxiliary benefit is reduced or not paid at all. For those beneficiaries, the *Parisi* case established that any potential but unpaid auxiliary benefits are *not* included in the family maximum calculation.<sup>10</sup> Before the *Parisi* case, a spouse's potential but unpaid spousal benefits would be included in the family maximum and cause other family members' auxiliary benefits to be reduced. In the *Parisi* case, the courts determined that only auxiliary benefits actually paid would count toward the family maximum, allowing some beneficiaries to get higher auxiliary benefits than they would have received before the *Parisi* decision.<sup>11</sup>

**Combined family maximum.** The combined family maximum is used when a person qualifies for auxiliary benefits on more than one worker's record. The combined family maximum is the sum of the family

**Table 2.**  
**Illustration of the family maximum rules for a family of a disabled worker, 2015**

*Assumptions:* Worker's AIME = \$2,253  
 Worker's PIA = \$1,200

*Family maximum:* DI family maximum (applied to the worker's AIME):  
 $85\% \times \$2,253 = \$1,915$ , which is more than 150%  
 of the worker's PIA, so the family maximum =  
 $150\% \times \$1,200 = \$1,800$

Characteristic	Monthly benefit amount (\$)	Rule applied
<b>Before family maximum</b>		
Worker's benefit	1,200	100% of the worker's PIA
Auxiliary benefits		
Spouse	600	50% of the worker's PIA
Child 1	600	50% of the worker's PIA
Child 2	600	50% of the worker's PIA
Total family benefit	3,000	Sum of the worker's and auxiliaries' benefits
<b>After family maximum</b>		
Worker's benefit	1,200	100% of the worker's PIA
Auxiliary benefits		
Spouse	200	1/3 of the family maximum amount minus the worker's PIA (\$600)
Child 1	200	1/3 of the family maximum amount minus the worker's PIA (\$600)
Child 2	200	1/3 of the family maximum amount minus the worker's PIA (\$600)
Total family benefit	1,800	Sum of the worker's and auxiliaries' benefits, capped by the family maximum amount

SOURCE: Authors' calculations.

NOTES: Dollar values are rounded to the nearest dollar for presentation purposes, but would actually be rounded down to the nearest dime. In this case, 85 percent of the worker's AIME is \$1,915, which is 160 percent of his or her PIA, greater than the cap of 150 percent of the PIA that applies to disability beneficiaries. As a result, the family maximum for this family is \$1,800, or 150 percent of the worker's PIA.

AIME = average indexed monthly earnings; DI = Disability Insurance; PIA = primary insurance amount.

maximums established for each worker, but it does not exceed the statutory upper limits for combined family maximums.<sup>12</sup> For cases in which a beneficiary qualifies for benefits on multiple records, his or her *benefits* are determined based on the work record of the worker that will yield the highest benefit amount.<sup>13</sup> However, the *family maximum* is determined based on the sum of the family maximums established for each worker's record.

### **Legislative History**

Congress amended the Social Security Act and established the family maximum in 1939, the same year it created auxiliary benefits. These amendments reflected the change in the emphasis of the original Social Security program, from protecting workers in old age to protecting those workers and their family

members. Over the years, Congress gradually enacted the following changes:

- **The 1939 Amendments** set the family maximum at the lower of 80 percent of the average monthly wages, \$85, or 200 percent of a worker's PIA. The family maximum could not fall below a floor of \$20.<sup>14</sup>
- **The 1950 Amendments** eliminated the 200 percent of the PIA cap and changed the formula to 80 percent of the worker's average monthly wages, with a maximum of \$150 and a minimum of \$40.<sup>15</sup>
- **The 1954 Amendments** stated that the family maximum could not be less than 150 percent of the PIA.<sup>16</sup> The 1954 formula remained, with ad hoc changes to the thresholds, until 1971.<sup>17</sup>

- **The 1971 Amendments** established a two-tier family maximum formula.<sup>18</sup> For beneficiaries with PIAs above \$628, the family maximum was 175 percent of the PIA. For those with PIAs below \$628, the prior-law formula applied. For all beneficiaries, the family maximum could not fall below the floor of 150 percent of the PIA, as established in prior law.
- **The 1972 Amendments** established an automatic cost-of-living adjustment (COLA) for Social Security benefits and a COLA for the family maximum. The COLAs were applied in each year after a beneficiary first became entitled, starting in 1975.<sup>19</sup>
- **Legislation in 1972**<sup>20</sup> also liberalized the family maximum, requiring its computation to be based on the PIA rather than the average monthly wage.<sup>21</sup> This change allowed beneficiaries who became entitled after a benefit increase to get the same benefit amounts as did current beneficiaries.<sup>22</sup>

Congress established the current-law family maximum rules in the 1977 and 1980 Amendments. Today's OASI beneficiaries are subject to the rules established in 1977 (with wage-indexed adjustments); DI beneficiaries are subject to the rules established in 1980.
- **The 1977 Amendments** created a four-tier formula for all beneficiaries: 150 percent of the first \$236 of the worker's PIA, plus 272 percent of the next \$106 of his or her PIA, plus 134 percent of the next \$107 of the PIA, plus 175 percent of the remainder.<sup>23</sup> The dollar amounts in the formula increase each year according to changes in the average wage index (AWI). This formula was designed to replicate the range of family maximum amounts established under prior law.
- **The 1980 Amendments** established a separate family maximum benefit formula for disability beneficiaries at 85 percent of a worker's AIME, with a floor of 100 percent of the worker's PIA and a ceiling of 150 percent of the PIA.<sup>24</sup> The rule for 85 percent of the AIME was designed so that a family's total benefits could not exceed the worker's average earnings. The cap of 150 percent of the PIA affects higher-earning workers; without it, the rule for 85 percent of the AIME would not have affected them.<sup>25</sup> The floor of 100 percent of the PIA ensures that a worker will always get the full benefit to which he or she is entitled, even if none of his or her dependents receives auxiliary benefits. In establishing the more restrictive disability

family maximum rules in the 1980 Amendments, Congress intended to strengthen work incentives for disabled beneficiaries, reflecting concerns that some of those individuals were financially as well off, or better off, when receiving benefits than when working.<sup>26</sup>

### ***Analysis of Family Maximum Rules***

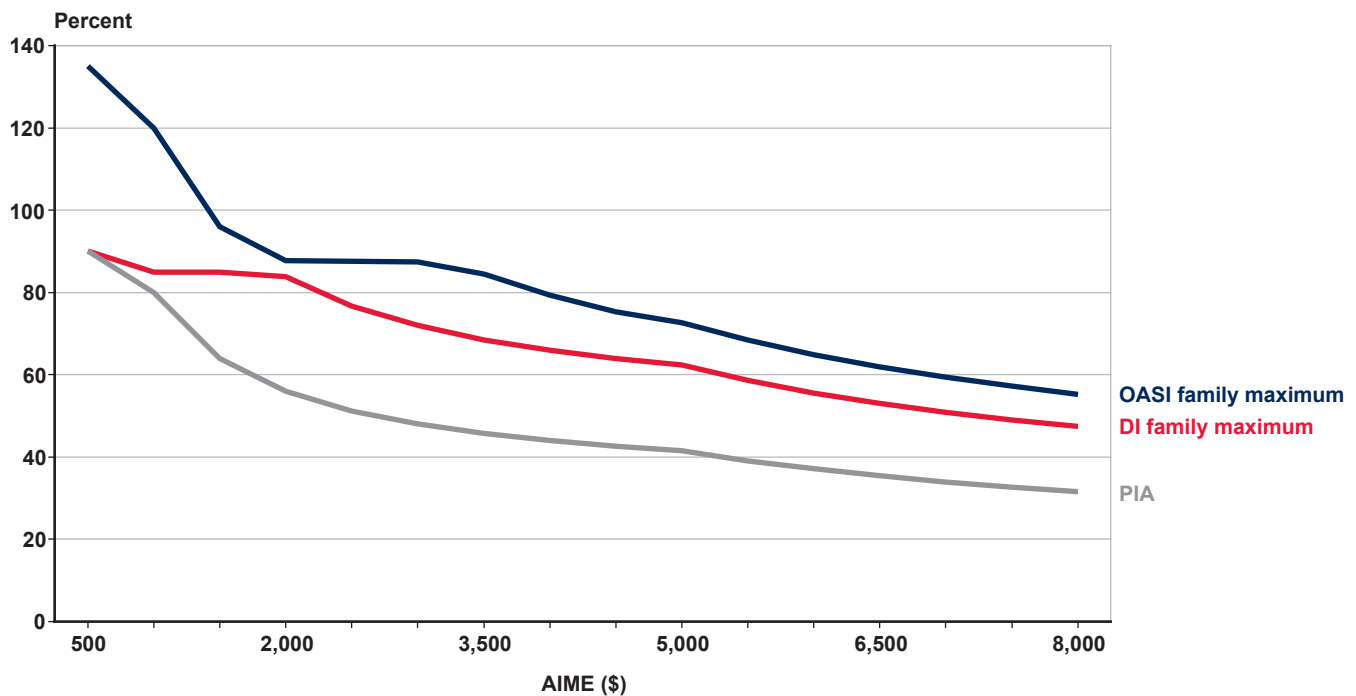
Because of the more restrictive DI family maximum rules, benefits payable to disability beneficiary families are significantly lower than those for retirement and survivor beneficiary families, particularly at the lower end of the earnings scale. In 2015, newly eligible disabled beneficiaries with AIMEs of \$903 or less can have no auxiliary beneficiaries because the DI family maximum for such workers is 100 percent of their PIA. Newly eligible disabled beneficiaries with AIMEs between \$904 and \$1,942 have their family benefits reduced, even if they have only one auxiliary, because the family maximum caps their benefits at 85 percent of their AIME (rather than 150 percent of their PIA, which could allow for one unreduced auxiliary beneficiary).

Chart 1 shows OASI and DI family maximum amounts as well as the PIA formula (which establishes basic benefit amounts) as percentages of AIME and at each level of AIME—a measure of lifetime earnings. At all earnings levels, the OASI family maximum is more generous than the DI family maximum, replacing a greater proportion of earnings. At the low end of the earnings scale (specifically, for people whose AIMEs are \$903 or less in 2015), the DI family maximum is equal to the worker's PIA, which means that no benefits will be paid to disabled-worker family members. The DI family maximum is notably less progressive than the OASI family maximum (or PIA), as shown by the slope of each line in Chart 1. The DI family maximum line slopes downward in a relatively straight line, while the OASI family maximum is kinked at the low end because it allows significantly more generous benefits for the families of lower earners.

To provide context, we have also estimated the distribution of DI and OASI beneficiary families by their AIME levels:<sup>27</sup>

- Over 400,000 (23 percent) DI beneficiary families with two or more beneficiaries have AIMEs of less than \$1,000. This is approximately the level of lifetime earnings at which disabled workers can have no auxiliary beneficiaries.

**Chart 1.**  
**OASI and DI family maximum amounts and PIA as percentages of AIME, 2015**



SOURCE: Authors' calculations.

NOTES: Formulas are based on 2015 rules, which apply to beneficiaries first eligible in 2015.

AIME = average indexed monthly earnings; DI = Disability Insurance; OASI = Old-Age and Survivors Insurance; PIA = primary insurance amount.

- Almost 600,000 (33 percent) of such families have AIMEs between \$1,000 and \$2,000. This is approximately the level of lifetime earnings at which disability beneficiary families with two or more members have their benefits reduced by the family maximum rules.
- The remaining approximately 800,000 (44 percent) DI beneficiary families have an AIME of more than \$2,000. This is near the level of lifetime earnings at which disability beneficiary families with three or more members have their benefits reduced by the family maximum rules.

Thus, many DI beneficiaries are subject to the more restrictive family maximum rules that apply at the low end of the earnings scale, which in many cases mean no or very little auxiliary benefits are paid. OASI beneficiary families have relatively higher earnings. Still, many of them have AIMEs at the lower end of the earnings scale, where the family maximum rules are relatively more generous for OASI beneficiaries.

### **Methodology**

Our analysis is based on information from SSA's *Annual Statistical Supplement to the Social Security Bulletin, 2013* and Modeling Income in the Near Term, Version 6. MINT6 is a microsimulation projection model based on the Census Bureau's Survey of Income and Program Participation (SIPP). The survey information from SIPP respondents is matched with SSA administrative records on earnings and benefits through 2009, and then the earnings, benefits, and other life events of those respondents are projected for 2010 and later years. The MINT6 results shown here are projections for 2015.

We reweighted the results for the MINT6 respondents to match the benchmark of the family benefit types shown in the *Supplement*. This reweighting is necessary because, although the overall population of beneficiary families is similar in the *Supplement* and MINT6, some subgroup populations differ noticeably. One limitation of a microsimulation model based on a survey, such as MINT, is the difficulty of precisely

estimating the population of a less common subgroup, such as beneficiary families with a larger number of children receiving benefits. Because larger beneficiary families are particularly important to the analysis here, reweighting is necessary so that we can align our data with the benchmark population composition shown in the *Supplement's* Table 5.H2,<sup>28</sup> which is based on all administrative records of beneficiaries in December 2012. Our reweighting method is able to more precisely capture narrower subgroups such as families with more children.

### **Effects of Family Maximum Rules on Beneficiary Families**

In this section, we analyze the populations of OASI and DI beneficiaries that are affected by the family maximum and to what extent their benefits are changed. Chart 2 shows the estimated number of beneficiary families affected by the family maximum rules. This chart distinguishes families by size, separating those with two eligible beneficiaries from those with three or more eligible beneficiaries. For some families of disabled workers, a member may be eligible for auxiliary benefits, but not be paid those benefits because of the family maximum rules. Families with these potentially eligible beneficiaries are included in the chart.

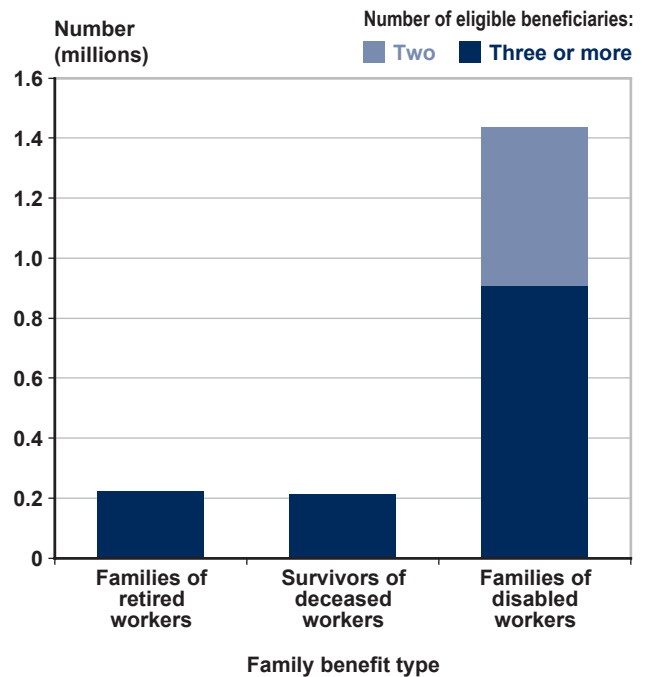
#### **Families of Retired Workers and Survivors of Deceased Workers (OASI)**

The family maximum affects all OASI families with three or more beneficiaries, but does not affect families with fewer than three beneficiaries. We estimate that about 200,000 families of retired workers and another 200,000 survivors of deceased workers have their benefits reduced by the family maximum.

Among affected families of retired workers, we estimate that median family benefits are \$2,886 before applying the family maximum and \$2,482 afterward, as shown in Chart 3. The median reduction among affected retired-worker families is \$535 (14 percent, not shown). All auxiliaries of retired workers receive at least partial benefits.

Among affected survivor beneficiary families, we estimate that median family benefits are \$3,584 before applying the family maximum and \$2,401 afterward, also shown in the chart. The median reduction among affected survivor families is \$748 (23 percent, not shown). All qualifying survivors receive at least partial benefits.

**Chart 2.**  
**Number of beneficiary families affected by family maximum rules, by number of eligible beneficiaries in the family, 2015**



SOURCE: Authors' estimates using Modeling Income in the Near Term, Version 6.

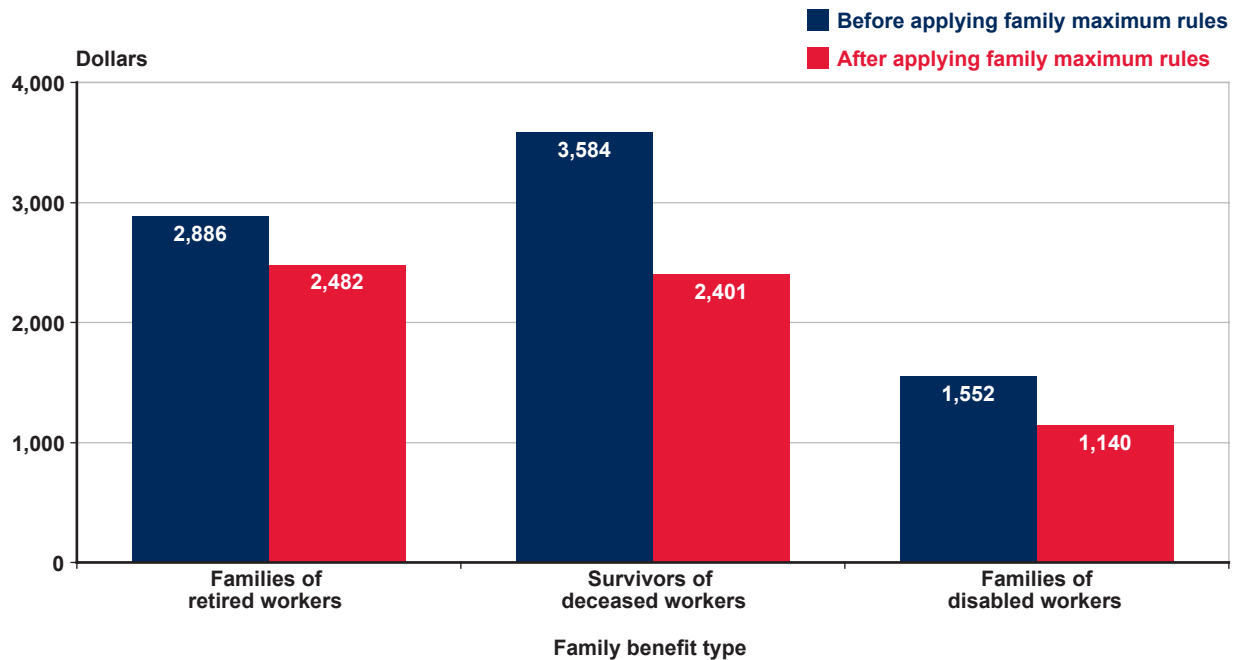
NOTE: We categorized beneficiary families by size before applying the family maximum rules; in some cases, the auxiliary of a disabled worker may be otherwise eligible for a benefit that is not paid because of the family maximum rules. Such families are included in this chart.

#### **Families of Disabled Workers (DI)**

In contrast with OASI beneficiary families, many DI beneficiary families are affected by the family maximum. About 1.4 million DI beneficiary families are affected, and about 400,000 of these disabled beneficiary families have their auxiliary benefits reduced to zero by the family maximum rules. In those cases, the family maximum for the disabled worker is 100 percent of the worker's PIA, which leaves nothing for auxiliary beneficiaries.

All families of disabled workers with three or more beneficiaries are affected by the family maximum. In addition, more than half (58 percent) of families of disabled workers with two beneficiaries (one worker and one auxiliary) are affected. Taken together, among disabled-worker families with at least one potentially eligible auxiliary, we estimate that nearly 80 percent are affected by the family maximum.

**Chart 3.**  
**Median family benefit amounts before and after applying the family maximum rules among affected families, 2015**



SOURCE: Authors' estimates using Modeling Income in the Near Term, Version 6.

Chart 3 shows median family benefit amounts before and after applying the family maximum rules. Those values include the effects of benefit reduction factors and delayed retirement credits. They do not account for the effects of the windfall elimination provision, the government pension offset, or the retirement earnings test, which are calculated after applying the family maximum rules.

Among affected disability families, we estimate that the median family benefit is \$1,552 before applying the family maximum and \$1,140 after applying the maximum, as shown in the chart. The median reduction for affected disability families is \$580 (33 percent, not shown).

The difference in both the percentage affected and the median benefits among disabled-worker families shows the impact of the stricter disabled family maximum rules. The DI family maximum affects many more families and a wider range of family sizes than the OASI family maximum. OASI beneficiary families are not affected by the family maximum rules unless three or more family members receive benefits; when those families are affected, members who qualify as auxiliaries always receive partial benefits. DI beneficiary families, by contrast, sometimes lose all of their

auxiliary benefits, even in cases where only one family member qualifies.

### Conclusion

As we have shown in this study, Social Security's family maximum rules are complex and affect beneficiaries in different ways, depending on their earnings levels and benefit types. In particular, the rules that apply to disability beneficiary families differ significantly from those that apply to retirement and survivor beneficiary families. The disabled family maximum affects many more families and a wider range of family sizes than the retirement and survivor family maximum. All disability families with three or more beneficiaries are affected by the family maximum and more than half of families with two beneficiaries are affected. Families of disabled workers, particularly those with low earnings, sometimes lose all of their auxiliary benefits. For all families affected by the family maximum rules, reductions can be substantial.

### Appendix

The *Parisi* court decision interpreted the Social Security Act as limiting the total benefit amount actually payable on an individual's work record, but not



necessarily on the amount of entitlement available in principle. As a result, when determining family maximums, SSA considers only the amount of monthly benefits actually due or payable to that person.

### How the Parisi Case Affects Benefits

Social Security’s dual entitlement rule stipulates that if a person is eligible for both a worker benefit and an auxiliary benefit, the auxiliary benefit is reduced or not paid at all. In those cases, the *Parisi* case

established that any potential but unpaid auxiliary benefit is *not* included in the family maximum calculation. The illustration in Table A-1 shows how the *Parisi* rules work for a person whose auxiliary benefit is not payable because his or her worker benefit is higher. The table uses the same hypothetical disabled-worker beneficiary family as that illustrated in Table 2, but assumes that the spouse’s worker benefit is \$1,000—greater than his or her potential auxiliary benefit of \$600.

**Table A-1.**  
**Illustration of the family maximum for a family of a disabled worker under *Parisi* rules, 2015**

*Assumptions:* Worker’s AIME = \$2,253  
Worker’s PIA = \$1,200  
Spouse’s PIA = \$1,000

*Family maximum:* DI family maximum (applied to the worker’s AIME):  
 $85\% \times \$2,253 = \$1,915$ , which is more than 150% of the worker’s PIA, so the family maximum =  
 $150\% \times \$1,200 = \$1,800$

Characteristic	Monthly benefit amount (\$)	Rule applied
<b>Before family maximum</b>		
Worker’s benefit	1,200	100% of the worker’s PIA
Spouse’s worker benefit	1,000	100% of the spouse’s PIA; dual entitlement rule—spouse receives his or her own PIA because the auxiliary benefit is less
Auxiliary benefits		
Spouse	<del>600</del>	50% of the worker’s PIA (potentially), but not actually paid
Child 1	600	50% of the worker’s PIA
Child 2	600	50% of the worker’s PIA
Total family benefit	3,400	Sum of the worker’s, spouse’s, and auxiliaries’ benefits
<b>After family maximum</b>		
Worker’s benefit	1,200	100% of the worker’s PIA
Spouse’s worker benefit	1,000	100% of the spouse’s PIA; dual entitlement rule—spouse receives his or her own PIA because the auxiliary benefit is less
Auxiliary benefits		
Spouse	<del>600</del>	<i>Parisi</i> rules: The spouse does not receive an auxiliary benefit, so potential auxiliary benefits do not count toward the total family maximum auxiliary benefits.
Child 1	300	½ of the family maximum amount minus the worker’s PIA (\$600)
Child 2	300	½ of the family maximum amount minus the worker’s PIA (\$600)
Total family benefit	2,800	Sum of the worker’s and auxiliaries’ benefits, capped by the family maximum amount, plus the spouse’s worker benefit

SOURCE: Authors’ calculations.

NOTES: Dollar values are rounded to the nearest dollar for presentation purposes, but would actually be rounded down to the nearest dime. In this case, 85 percent of the worker’s AIME is \$1,915, which is 160 percent of his or her PIA, greater than the cap of 150 percent of the PIA that applies to disability beneficiaries. As a result, the family maximum for this family is \$1,800, or 150 percent of the worker’s PIA.

AIME = average indexed monthly earnings; DI = Disability Insurance; PIA = primary insurance amount.

## Dually Entitled Beneficiaries

Table A-2 shows calculations for a disabled-worker family similar to the one illustrated in Table A-1—a disabled worker with a spouse and two children, who has an AIME of \$2,253 and a PIA of \$1,200. In this particular exhibit, the spouse is dually entitled to a worker benefit of \$100 in addition to his or her auxiliary benefit.<sup>29</sup> As in Table A-1, the *Parisi* rules apply. In this case, only the auxiliary portion of the spouse's benefit would be reduced by the family maximum. We

assume that the children qualify for auxiliary benefits on the worker's record, but not on the spouse's.

## Combined Family Maximum

The combined family maximum is used when a person qualifies for auxiliary benefits on more than one worker's record. It is the sum of the family maximums applicable to each worker's record, but not more than the statutory upper limits for combined family maximums.<sup>30</sup>

**Table A-2.**

**Illustration of the family maximum rules for a family of a disabled worker with a dually entitled auxiliary, under *Parisi* rules, 2015**

<i>Assumptions:</i>	Worker's AIME = \$2,253 Worker's PIA = \$1,200 Spouse's PIA = \$100
<i>Family maximum:</i>	DI family maximum (applied to the worker's AIME): $85\% \times \$2,253 = \$1,915$ , which is more than 150% of the worker's PIA, so the family maximum = $150\% \times \$1,200 = \$1,800$

Characteristic	Monthly benefit amount (\$)	Rule applied
<b>Before family maximum</b>		
Worker's benefit	1,200	100% of the worker's PIA
Spouse's worker benefit	100	100% of the spouse's PIA
Auxiliary benefits		
Spouse	500	Dual entitlement rule—50% of the worker's PIA (\$600) minus the spouse's PIA (\$100)
Child 1	600	50% of the worker's PIA
Child 2	600	50% of the worker's PIA
Total family benefit	3,000	Sum of the worker's, spouse's, and auxiliaries' benefits
<b>After family maximum</b>		
Worker's benefit	1,200	100% of the worker's PIA
Spouse's worker benefit	100	100% of the spouse's PIA
Auxiliary benefits		
Spouse	100	$\frac{1}{3}$ of the family maximum amount minus the worker's PIA (\$600) minus the spouse's worker PIA
Child 1	250	$\frac{1}{3}$ of the family maximum amount minus the worker's PIA (\$600) plus $\frac{1}{2}$ of the \$100 withheld from the spouse's auxiliary benefit
Child 2	250	$\frac{1}{3}$ of the family maximum amount minus the worker's PIA (\$600) plus $\frac{1}{2}$ of the \$100 withheld from the spouse's auxiliary benefit
Total family benefit	1,900	Sum of the worker's and auxiliaries' benefits, capped by the family maximum amount, plus the spouse's worker benefit

SOURCE: Authors' calculations.

NOTES: Dollar values are rounded to the nearest dollar for presentation purposes, but would actually be rounded down to the nearest dime. In this case, 85 percent of the worker's AIME is \$1,915, which is 160 percent of his or her PIA, greater than the cap of 150 percent of the PIA that applies to disability beneficiaries. As a result, the family maximum for this family is \$1,800, or 150 percent of the worker's PIA.

AIME = average indexed monthly earnings; DI = Disability Insurance; PIA = primary insurance amount.

In Table A-3, we assume that two workers die, leaving behind three children who qualify for survivor benefits on both of their parents' work records. We assume that the mother has a PIA of \$1,200 and the father has a PIA of \$1,000. This illustration shows how benefits are calculated in three stages: first, before applying the family maximum rules;

second, using the ordinary family maximum rules (in this case, the family maximum that applies to the mother's earnings record—the record on which the children's benefits are based); third, using the combined family maximum rules that would determine this family's final benefit amounts.

**Table A-3.**  
**Illustration of the combined family maximum rules for a survivor family, 2015**

<i>Assumptions:</i>	<i>Mother's AIME = \$2,253</i> <i>Mother's PIA = \$1,200</i> <i>Father's AIME = \$1,628</i> <i>Father's PIA = \$1,000</i>
<i>Family maximum:</i>	<i>OASI family maximum (on the mother's PIA only):</i> <i>150% × \$1,056 + 272% × \$144 = \$1,976</i>
<i>Combined family maximum:</i>	<i>Family maximum based on the mother's PIA (\$1,976) plus the family maximum based on the father's PIA (150% × \$1,000) = \$3,476</i>

Characteristic	Monthly benefit amount (\$)	Rule applied
<b>Before family maximum</b>		
Survivor benefits		
Child 1	900	75% of the higher-earning parent's PIA
Child 2	900	75% of the higher-earning parent's PIA
Child 3	900	75% of the higher-earning parent's PIA
Total family benefit	2,700	Sum of the survivor benefits
<b>After family maximum (higher-earning parent only)</b>		
Survivor benefits		
Child 1	659	1/3 of the family maximum amount
Child 2	659	1/3 of the family maximum amount
Child 3	659	1/3 of the family maximum amount
Total family benefit	1,976	Family maximum amount
<b>After combined family maximum (both parents)</b>		
Survivor benefits		
Child 1	900	75% of the higher-earning parent's PIA
Child 2	900	75% of the higher-earning parent's PIA
Child 3	900	75% of the higher-earning parent's PIA
Total family benefit	2,700	Sum of the survivor benefits, which is less than the combined family maximum

SOURCE: Authors' calculations.

NOTE: Dollar values are rounded to the nearest dollar for presentation purposes, but would actually be rounded down to the nearest dime. AIME = average indexed monthly earnings; OASI = Old-Age and Survivors Insurance; PIA = primary insurance amount.

## Notes

*Acknowledgments:* The authors thank Joni Lavery, Andrew Hanks, Eric Herbert, Karen Glenn, Mark Sarney, and Natalie Lu for their helpful comments and suggestions.

<sup>1</sup> For more information about the PIA and how it is calculated, refer to <http://www.socialsecurity.gov/oact/cola/piaformula.html>.

<sup>2</sup> People who became entitled to benefits before 1979 are subject to a different family maximum formula (see SSA's *Annual Statistical Supplement to the Social Security Bulletin, 2013* (Table 2.A17), <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2013/2a8-2a19.html#table2.a17>).

<sup>3</sup> For more information on the average wage index, which SSA uses to index the family maximum, refer to <http://www.socialsecurity.gov/oact/cola/AWI.html>.

<sup>4</sup> For more information about how SSA calculates the AIME, refer to <http://www.socialsecurity.gov/oact/cola/Benefits.html>.

<sup>5</sup> For example, early retirement reductions, retirement earnings test withholdings, the windfall elimination provision reductions, and government pension offsets.

<sup>6</sup> For more information about how beneficiaries qualify for survivor benefits, see SSA's "How Social Security Can Help You When A Family Member Dies," <http://www.socialsecurity.gov/pubs/EN-05-10008.pdf>.

<sup>7</sup> In 2015, the first bend point would be \$826. Thus, the first \$826 of the AIME would be multiplied by 90 percent for a value of \$743.40. The remaining \$1,427 of the AIME above the first bend point of \$826 would be multiplied by 32 percent for a value of \$456.64. Together, \$743.40 + \$456.64 = \$1,200.04. For presentation purposes, the dollar values reported are rounded to the nearest dollar, but the actual PIA rules round down the value to the nearest dime. For additional information on PIA formula bend points and applicable computation methods, refer to <http://www.socialsecurity.gov/oact/cola/piaformula.html>.

<sup>8</sup> *Adjustment of Monthly Benefits Under the Family Maximum Provisions*. Audit Report No. A-09-13-13087 (March 11, 2014), <http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-09-13-13087.pdf>.

<sup>9</sup> The total amount a dually entitled beneficiary receives is equal to the higher of the worker benefit and the auxiliary benefit.

<sup>10</sup> These rules are a result of the *Parisi* court decision; for a full description of the ruling, refer to [http://www.socialsecurity.gov/OP\\_Home/rulings/ar/01/AR97-01-ar-01.html](http://www.socialsecurity.gov/OP_Home/rulings/ar/01/AR97-01-ar-01.html). To determine the ruling's applicability in all states, refer to <https://secure.ssa.gov/poms.nsf/lnx/0202603045>. Examples are given here, <https://secure.ssa.gov/poms.nsf/lnx/0300615768>.

<sup>11</sup> In the Appendix, see Tables A-1 and A-2 for illustrations of how the *Parisi* case affects benefits.

<sup>12</sup> For more information, see SSA's Program Operations Manual System RS 00615.770 (simultaneous entitlement of children on more than one worker's record), <https://secure.ssa.gov/apps10/poms.NSF/lnx/0300615770>; and RS 00615.772 (determination of the worker record upon which benefits will be based), <https://secure.ssa.gov/poms.nsf/lnx/0300615772>.

<sup>13</sup> The committee report for the 1972 Amendments states, "The bill would provide that a child who is entitled to benefits on the earnings record of more than one worker would get benefits based on the earnings record that results in paying him or her the highest amount, if the payment would not reduce the benefits of any other individual who is entitled to benefits based on that earnings record. (Entitlement of a child on the earnings record that will give him or her the highest benefit could otherwise result in a reduction of the benefits for other people entitled on the same earnings record because of the family maximum limitation.)" (Congressional Record on S. 18480, October 17, 1972)

<sup>14</sup> Public Law (P.L.) 379.

<sup>15</sup> P.L. 734; the thresholds were updated again in the 1952 Amendments, P.L. 82-590.

<sup>16</sup> P.L. 761.

<sup>17</sup> P.L. 85-840, P.L. 87-64, P.L. 89-97, and P.L. 90-248.

<sup>18</sup> P.L. 92-5.

<sup>19</sup> P.L. 92-336.

<sup>20</sup> Congress passed two major Social Security bills in 1972. For more information, refer to <http://www.socialsecurity.gov/history/1972amend.html>.

<sup>21</sup> P.L. 92-603.

<sup>22</sup> Committee report for P.L. 92-603.

<sup>23</sup> Congress intended the maximum family benefit to range from 150 percent to 188 percent of the worker's PIA, as it did under prior law (committee reports for P.L. 95-216). Congressional members considered setting a flat-rate maximum, but decided that it would either result in many families getting lower benefits or would have to cost more in order to provide similar benefit levels to what was provided with the range of family maximums from 150 percent to 188 percent. The law provided an exception for those who became entitled to benefits in 1979 or earlier.

<sup>24</sup> The DI family maximum rules were described by the chairman of the House Ways and Means Committee as "temporary and a transition," but the formula has been maintained since then (Congressional Record on H. 7410, September 6, 1979).

<sup>25</sup> Conference Report, H.R. 3236/P.L. 96-265, Disability Amendments of 1980, 26.

<sup>26</sup> Studies had shown that a median wage earner with qualifying dependents would have received family benefits that replaced 90 percent of earnings if he or she had become entitled to disability benefits in 1976 (House committee report, no. 96-100, 4). Secretary of Health, Education, and Welfare Joseph Califano (who oversaw the Social Security program) testified that approximately 6 percent of DI beneficiaries received family benefits that were greater than their previous net earnings (Congressional Record on H. 7410, September 6, 1979).

<sup>27</sup> Authors' calculations using MINT6. For more information on the authors' methodology and the MINT6 model, see the Methodology section.

<sup>28</sup> See the *Annual Statistical Supplement to the Social Security Bulletin, 2013* (Table 5.H2), <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2013/5h.html#table5.h2>.

<sup>29</sup> If a family includes both a dually entitled spouse and eligible children, the rules are more complex, as both the dually entitled spouse and combined family maximum rules may apply.

<sup>30</sup> Refer to note 12.