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Chapter 9: Social Security—Glossary

Social Security. A federal social insurance that replaces a portion of income in retirement for eligible Americans and pays some disability benefits.

pension. An employment-based retirement plan that provides monthly income.

401(k) plan. An employer-sponsored retirement plan in which workers contribute part of their monthly earnings to an investment account. Employers typically contribute, too.

progressive. In terms of Social Security benefits, this means that lower-income workers get a higher benefit relative to their income than higher-income workers do.

inflation. The rise in prices that occurs over time.

purchasing power. The measure of how much money is worth in terms of how many goods and services it can purchase.

full-benefit age. The age at which you will receive your projected full retirement benefit.

spousal benefit. A Social Security benefit paid to retired workers' spouses who have low or no earnings.

pay-as-you-go system. A benefit program in which money coming in from taxes goes directly out as benefit payments.

Social Security Trust Fund. Takes in money collected from Social Security taxes and pays benefits to qualifying individuals from that revenue.

privatize. To put decisions in the hands of individuals as opposed to governmental control. In terms of Social Security, this could mean having workers contribute part of their Social Security tax to a stock market account.

Social Security Disability Income (SSDI). The part of Social Security funds that pays benefits to individuals who are unable to work due to a serious medical condition.

substantial gainful activity. Any physical or mental activity that can be performed for compensation.

SSI (Supplemental Security Income). A federal program that pays a benefit to low-income people over age 65, the blind, and the disabled to help meet basic needs for food, clothing, and shelter.

resources. In terms of eligibility for Supplemental Security Income, resources including assets like cash, bank accounts, life insurance, and personal property.

survivors benefit. A Social Security benefit that replaces a portion of family income if a spouse or parent dies.