

4.1: Protection Programs- An Overview



Image: [Free parent holding child's hand image](#), public domain CC0. RawPixel.com

Protection Programs: Overview

Protection programs provide family benefits, promote health, and guard against income loss caused by such catastrophic factors as unemployment, disability, or serious illness.

Social Security

The **Social Security Act of 1935** created a system of retirement benefits and established the Social Security Administration. Subsequent amendments to the Act added other forms of protection, such as disability insurance, survivors' benefits, and Medicare. Social insurance, as conceived by President Roosevelt, would address the permanent problem of economic security for the elderly by creating a work-related, contributory system in which workers would provide for their own future economic security through taxes paid while employed.

Social Security is also known as **OASDI**.

O = Old

A = Age

S = Survivor's

D = Disability

I = Insurance

Social Security is financed through a dedicated payroll tax. Employers and employees each pay 6.2 percent of wages up to the taxable maximum of \$168,600 (in 2024), while the self-employed pay 12.4 percent. The payroll tax rates are set by law, and for OASI and DI, apply to earnings up to a certain amount.

The **5 main categories** of Social Security benefits include:

- Retirement
- Disability (SSDI)
- Supplemental (SSI)
- Survivor's & Family
- Medicare

Social Security replaces a percentage of a worker's pre-retirement income based on your lifetime earnings. The amount of your average earnings that Social Security retirement benefits replaces depends on your earnings and when you choose to start benefits.

What is the average monthly retirement benefit? Take a look at the official [Social Security website](#) to learn more about the average social security payment. Is this enough for you to live on during retirement?

Social Security Disability

To qualify for Social Security Disability Insurance (SSDI) benefits, you must:

- Have worked in jobs covered by Social Security.
- Have a medical condition that meets Social Security's strict [definition of disability](#).

In general, benefits are paid to people who are unable to work for a year or more because of a disability. Generally, there is a 5-month waiting period to receive this benefit. Consider the average monthly payment of SSDI, is this enough to live on?

Disability Insurance (short & long term)

Disability insurance protects employees against loss of earnings resulting from injury or illness. Disability insurance is considered insurance for your income in case of unforeseen life events. This private insurance (not part of Social Security) is often offered to employees through their employers.

There are 2 types of Disability Insurance:

- **Short Term Disability:** Typically pays 40-70% of income for a short period of time, based on the terms in the policy. It can range from a few weeks to a full year of income replacement.
- **Long Term Disability:** Typically covers around 60% of income for an extended period of time. It can range from two years or all the way to retirement based on the terms of the policy.

Life insurance

Life insurance provides a cash benefit upon the death of an insured person, designed to protect the employee's family from the loss of a family member's income.

Employers often include a life insurance policy for employees paying 1-2 times their annual salary. They can offer this benefit due to the low cost of a group plan. (Like buying in bulk) This benefit is payable to the employee's designated beneficiary.

There are two common types of Life Insurance:

- **Term life insurance:** provides protection to employees' beneficiaries only during a limited period based on a specified number of years subject to a maximum age. After that, the insurance automatically expires.
- **Whole life insurance:** pays an amount to the designated beneficiaries of the deceased employee, but unlike term life policies, whole life plans do not terminate until payment is made to the beneficiaries.

Consider at what time in your life do you need the most Life Insurance?

Unemployment

Unemployment Insurance is a joint state-federal program that provides cash benefits to eligible workers. Each state administers a separate UI program, but all states follow the same guidelines established by federal law.

Unemployment insurance payments (benefits) are intended to provide temporary financial assistance to unemployed workers who are unemployed through no fault of their own. Generally, benefits are based on a percentage of your earnings over a recent 52-week period, and each state sets a maximum amount.

Unemployment Insurance is paid for solely by the employer. The amount an employer pays for this insurance depends on the industry they work in and their unemployment claims rates.

- Ex. An employer who has a high unemployment rate will pay a higher fee into the state's unemployment fund. Think road construction (cannot work in the winter months).

Compare how much do employees in your state earn while on unemployment with employees in a different state.

Workers Compensation

The **Worker's Compensation Act** provides for payment of reasonable medical expenses and compensation for lost wages resulting from work-related injuries or disabilities.

FMLA

The FMLA entitles eligible employees of covered employers to take **unpaid, job-protected leave** for specified family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave. Eligible employees are entitled to 12 workweeks of leave in a 12-month period.

Twelve workweeks of leave in a 12-month period for:

- the birth of a child and to care for the newborn child within one year of birth;
- the placement with the employee of a child for adoption or foster care and to care for the newly placed child within one year of placement;
- to care for the employee's spouse, child, or parent who has a serious health condition;
- a serious health condition that makes the employee unable to perform the essential functions of his or her job;
- any qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a covered military member on "covered active duty;" or
- twenty-six work weeks of leave during a single 12-month period to care for a covered servicemember with a serious injury or illness if the eligible employee is the service member's spouse, son, daughter, parent, or next of kin (military caregiver leave).

What is a life event you could run into where you would need FMLA?

Questions to Ask:

- Why do we need social security?
- Do the social security programs provide enough payment/benefit for you to live on comfortably?
- What are the chances you or someone you know will need this benefit?
- At what time in your life do you need the most life insurance?
- Are the benefits for unemployment different in neighboring states? (I would take a few minutes to look this up.)
- Can you see yourself using or needing FMLA in your lifetime? What type of event would qualify?

NOTE: Review the attached PowerPoint to learn more and answer the above questions.

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