Cessation and Grace Period

Quick Look: Social Security uses a threshold called Substantial Gainful Activity (SGA) to gauge a Social Security Disability Insurance (SSDI) beneficiary's entitlement to their cash benefits. Once the beneficiary establishes a pattern of working at or above SGA after the Trial Work Period, the Social Security Administration (SSA) considers the Grace Period rule, to determine if benefits should be terminated, due to earnings. This begins a timeframe of three months called the Cessation and Grace Period.

Trial Work Period and Extended Period of Eligibility

Social Security offers several work incentives to help lessen the impact of work on benefits. When you first begin working, you are entitled to a period of time called Trial Work Period (TWP) in which you can test your ability to work. During TWP, you may earn any amount of money without impacting your benefits. However, once your TWP has been used, you will move into a 36-month timeframe called Extended Period of Eligibility (EPE). In EPE, if your earnings are below SGA, you will receive your cash benefits. However, while in EPE, if your wages exceed the SGA threshold, your benefits will be suspended until wages fall below SGA again. If your wages exceed SGA during the EPE 36-month period for a pattern of three months, then the Cessation and Grace Period may be applied during the EPE.

Applying Cessation and Grace

Social Security uses SGA to determine eligibility for benefits based on earnings. After your TWP has ended, your wage earnings are reviewed monthly to determine if SGA has been met. Once you establish a pattern of working at or above SGA after the Trial Work Period, the Social Security Administration (SSA) considers the Grace Period rule, to determine if benefits should be terminated, due to earnings. This begins a timeframe of three months called the Cessation and Grace Period. The Cessation and Grace Period is a period of three months that occurs consecutively when you work at or above SGA. The first month is known as the Cessation month, and the next two months are the Grace Period months.

Cessation and Grace During EPE

If SSA applies Cessation and Grace during your EPE, you will continue to receive your cash benefit during those three months, and any other months where your income falls below SGA during your EPE. If you continue to earn over SGA after the EPE ends, then your SSDI

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entitlement will be closed ("terminated"). However, if you stop earning over SGA during your EPE, then your cash benefit will continue throughout the EPE. In this scenario, should you begin earning SGA after the EPE ends and you've used Cessation and Grace, your SSDI entitlement would be closed ("terminated"). SSA is the only determiner if the entitlement is terminated.

Tracking Cessation and Grace Period Months

Because Social Security bases eligibility on SGA, it is important to track your gross wage earnings each month. This will help you to identify if you have used TWP months, if your EPE period has started or ended, and if you have earned SGA or triggered your Cessation and Grace Period. Be sure to report your gross wage earnings and any work incentives approved through SSA monthly to Social Security, regardless of the amount, as work incentives may lower your gross wages under the monthly SGA amount.

Questions about Cessation and Grace?

Contact your Benefits Liaison through the Indiana Benefits Information Network or your Community Work Incentives Coordinator (CWIC) at Indiana Works for questions you have on Cessation and Grace.

Source: www.ssa.gov. Reviewed by the Center on Community Living and Careers.

For more information, contact the
Indiana Benefits Information Network
812-855-6508 | www.iidc.indiana.edu/cclc

Indiana's Work Incentive Planning and Assistance Program
North/Central: 855-641-8382 | Southern: 502-548-4492