

Social Security Clawbacks: Understanding the Risks



By Mike Lynch

Recent changes to the Social Security Administration's policy on overpayments have sparked concerns among beneficiaries, with headlines suggesting that your benefits could be withheld if there's an overpayment to your account.

Although Social Security overpayments are relatively uncommon, scams, unfortunately, are not. The fear of losing essential income can leave many individuals feeling vulnerable, making it crucial to stay informed.

In this article, we will discuss the new policy, the causes of overpayments, how to check for overpayments, and how to protect yourself from scams.

What is the new policy?

Up until 2024, the Social Security Administration's policy was to withhold 100% of benefits if an overpayment was identified. In 2024, the withholding amount was reduced to only 10% of a recipient's benefit to help ease the financial hardship caused by overpayments. Therefore, this new policy is essentially a reversion to the previous approach. Meaning, the Social Security Administration will again be withholding 100% of the beneficiaries' future Social Security checks until their overpayments are paid back to them.

Starting March 27, 2025, the new "clawback" policy will apply to new cases. For individuals who were overpaid before that date, the benefit-withholding rate will remain at 10%.

So, overall, how much money was overpaid? Between fiscal years 2015-2022, the Social Security Administration estimates that it made nearly \$72 billion in overpayments. Although this figure sounds large, it represents less than 1% of the total benefits paid out during that period.¹

So how do these overpayments happen?

Causes of Overpayments

Many overpayments are usually not the fault of beneficiaries but, rather, miscalculations on the part of the Social Security Administration due to untimely beneficiary updates.² Overpayments can also occur due to beneficiary errors, such as failing to report income, employment or marital changes, or changes in health status that would disqualify them from disability benefits.

Identifying Overpayments

While unlikely, if you do receive an overpayment notification, you have several options.

1. You can repay the full amount by check or online
2. Set up a payment plan if you can't pay it all at once
3. Appeal the decision if you believe the overpayment is incorrect or request a waiver if you cannot afford to repay it.*

If you get an overpayment notice, it's a good idea to contact

your tax or financial professional. They can help verify if it's legitimate and figure out how it might impact your financial plan.

*If you receive an overpayment notice you have 30 days from the receipt of the letter to pay Social Security back. If you cannot afford the full recovery of the overpayment call SSA at 800-772-1213 for more options.

Staying Safe from Scams

While only 1% of beneficiaries are impacted by overpayments, everyone is vulnerable to potential scammers. In 2024, there were almost 300,000 reported government fraud scams, with Social Security being the number one government agency that scammers pretended to impersonate.³

Scammers may attempt to contact you via phone, text or email you about "overpayments" to your account. Due to the high risk of scams, the Social Security Administration has created a list of red flags to help you recognize what it will never do, which include:

- Threaten you with arrest or legal action because you didn't agree to pay money
- Suspend your Social Security number
- Pressure you to take immediate action, including sharing personal information
- Ask you to pay with gift cards, prepaid debit cards, wire transfers, cryptocurrency, or by mailing cash
- Threaten to seize your bank account
- Offer to move your money to a "protected" bank account
- Demand secrecy
- Direct-message you on social media

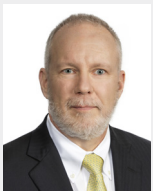
To avoid any potential scams, make sure that your information is up to date on SSA.gov. The Social Security Administration will only notify you about an overpayment through official mail. If you have any questions or concerns about a letter or notification, just reach out to your financial or tax pro for clarification.

To Summarize

The Social Security Administration's updated policy on overpayments reinstates the withholding of 100% of a beneficiary's monthly benefits to recover overpayments. This change mainly affects new cases and aims to address improper payments. By keeping your information up-to-date and understanding your options, you can navigate these changes with confidence and security.

Next Step

1. Go to SSA.gov
2. Review the overpayment fact sheet if you've received a notice



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¹ Nearly \$72 Billion Improperly Paid; Recommended Improvements Go Unimplemented, SSA, 8/2024

² Social Security's overpayments policy takes effect today. Experts say it could hurt seniors, CBS, 3/2025

³ 6 Social Security Scams That Are on the Rise in 2025, Reader's Digest, 3/2025

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