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Social Security Administration Representative Payees

The Social Security Administration (SSA) administers two federal income support programs—Old-Age, Survivors, and Disability Insurance (i.e., Social Security) and Supplemental Security Income (SSI)—that in FY2024 collectively paid over \$1.5 trillion in benefits to over 72.4 million beneficiaries. Under Sections 205(j) and 1631(a)(2) of the Social Security Act, SSA is authorized to designate *representative payees* (“payees”) to receive and manage monthly benefit payments made under these programs on behalf of adults whom it determines are physically or mentally incapable of managing their own payments and on behalf of most children under age 18. In FY2024, there were about 5.7 million payees managing roughly \$81.4 billion in annual benefits for approximately 7.7 million beneficiaries, just over half (51%) of whom were minor children.

This In Focus summarizes SSA’s main payee workloads, payees’ responsibilities to beneficiaries and SSA, and how payees interact with other third-party payment arrangements. In administering its payee program, SSA personnel are responsible for (1) determining if a beneficiary needs a payee, (2) selecting the most appropriate payee for a beneficiary who requires one, and (3) monitoring payees to ensure they use beneficiaries’ funds properly. Payees are responsible for using or saving SSA payments to meet the current and future needs of beneficiaries.

How Does SSA Determine That an Individual Needs a Payee?

Before SSA appoints a payee, it must first determine that a beneficiary is incapable of managing or directing the management of his or her own benefits.

SSA deems adults who have been found legally incompetent by courts and almost all minor children to require payees. Otherwise, SSA presumes that adults can manage their own benefits unless information available to SSA suggests otherwise. In these cases, SSA may consult medical or lay (i.e., nonlegal, nonmedical) evidence to decide whether a beneficiary needs a payee. An example of medical evidence is a statement by a qualified medical source (e.g., a physician) about the beneficiary’s ability to manage or direct the management of his or her benefits. Examples of lay evidence are observations made by SSA personnel during a face-to-face interview with the beneficiary or statements made by the beneficiary’s family or friends about the beneficiary’s capability.

SSA’s determination of (in)capability may later be updated if it has reason to believe a beneficiary’s need for a payee has changed. A beneficiary may appeal SSA’s

determination that he or she needs a payee under its administrative appeals process.

How Does SSA Select an Individual’s Payee?

Once SSA has determined that an individual requires a payee, it must then select one. Payees can be individuals (e.g., spouses, parents, relatives, friends, unrelated guardians, foster parents) or organizations (e.g., state or local government agencies, nonprofit organizations, social services agencies, financial organizations). In FY2024, family members served as payees for over 85% of beneficiaries with payees. In FY2024, organizational payees made up less than 1% of payees but served about 10% of beneficiaries with payees. Examples of other payee types are a friend or an unrelated guardian.

To be selected, the potential individual or organizational payee must be willing to serve as a payee and not prohibited from serving as one. When determining the most appropriate payee to select for a beneficiary, SSA may consider factors such as whether the beneficiary designated a preferred payee in advance, the relationship of the potential payee to the beneficiary, the amount of interest the potential payee shows in the beneficiary, any legal authority the potential payee has to act on behalf of the beneficiary, and any criminal history of the potential payee.

Under a process referred to as *advance designation*, an adult Social Security or SSI applicant/beneficiary may specify up to three individuals (in order of preference) whom he or she would like to be selected as a payee in the event that SSA makes a future determination that the individual requires one. SSA first considers any advance designees in the order of preference specified by the beneficiary. Absent any advance designation, or in cases where advance designees are not willing or suitable to serve, SSA’s regulations provide guidance on the preferred order of selection of payee types. In most cases, family members, such as spouses and parents, are preferred to organizational payees. However, the preferred order specified by SSA’s guidance is flexible: A payee type that is lower on SSA’s preference list may still be determined to be the most suitable payee choice.

Potential payees (whether or not they are designated in advance) must complete payee applications and be certified by SSA to receive beneficiaries’ funds. SSA generally certifies a payee based on an investigation of the person seeking to be a payee that includes a face-to-face interview (to the extent practicable) and adequate evidence that payee certification is in the beneficiary’s best interest. The investigation of a potential payee must:

- verify his or her identity;
- obtain information on any criminal history involving felony convictions, including any attempt or conspiracy to commit a felony, or offenses resulting in imprisonment for more than one year; and
- determine whether the individual was previously revoked as a representative payee for misuse of funds.

Individuals are generally barred from serving as payees if they have been convicted of certain crimes, receive Social Security or SSI benefits through payees themselves, or are creditors to the beneficiaries (though exceptions apply). Beneficiaries may appeal SSA's selection of particular individuals or organizations as their payees under its administrative appeals process.

What Are a Payee's Responsibilities?

Once appointed, a payee receives the beneficiary's Social Security or SSI payments and is responsible for using or saving them in the beneficiary's best interest.

The payee's main duties are to use the benefits to pay for the beneficiary's current and future needs (e.g., for food, shelter, clothing, utilities, medical care, and personal comfort items) and save any funds not immediately needed for the beneficiary's future benefit. A payee must also keep records of how benefits were used or saved. The payee must inform SSA of any relevant program-specific changes that may affect the beneficiary's eligibility or payment amount, which may include changes in earnings or other income, living arrangements, or family relationships (e.g., marriage, child custody). Additional requirements apply for payees of children receiving SSI. There are no training or accreditation requirements for most payees.

Payees may not collect fees from SSA or beneficiaries for their services unless they are legal guardians court-authorized to charge guardian fees or are qualified organizations that apply and are approved by SSA in writing to collect fees (i.e., *fee-for-service payees*).

How Does SSA Monitor Payees?

After appointing a payee, SSA monitors the chosen payee to ensure that the individual or organization is using or conserving the beneficiary's funds appropriately. SSA uses an annual accounting process, along with site reviews and other types of reviews, to monitor payee performance.

The Social Security Act requires SSA to review written accounting reports from certain payees at least once a year. Certain family members serving as payees, including spouses and custodial parents, are exempt from the annual accounting process. Exempt payees are still directed to keep records of how they spend or save beneficiaries' funds and provide the records to SSA if requested.

The Social Security Act also requires SSA to conduct periodic onsite reviews of certain types of payees (generally every three to four years). Under current law, state protection and advocacy (P&A) system organizations are contracted to perform payee site reviews and educational

visits on behalf of SSA. As part of these reviews, a state P&A may interview the individual or organizational payee or the beneficiary/beneficiaries the payee serves, visit the home of the beneficiary/beneficiaries the payee serves, and examine the payee's financial records. Based on the results of the review, the P&A or SSA notifies the payee if corrective action is needed.

SSA may remove or replace a beneficiary's payee if it determines that the current payee is no longer suitable.

What Happens If a Payee Misuses a Beneficiary's Funds?

Misuse of funds by a payee occurs when SSA determines that the payee has:

- used a beneficiary's funds for something other than the beneficiary's use and benefit,
- stolen a beneficiary's funds, or
- charged unauthorized fees and deducted the amount from the beneficiary's monthly payment.

If a payee misuses benefits, the payee must repay the misused funds. A payee convicted of misusing funds may be fined, imprisoned, or both.

Are Payees the Same as Other Third-Party Payment Arrangements?

Other benefits-paying federal agencies may also appoint third parties to receive and manage benefits on behalf of certain beneficiaries, including the Department of Labor, the Office of Personnel Management, the Railroad Retirement Board, and the Department of Veterans Affairs. A determination that an individual requires help managing benefits under another program does not necessarily mean that the individual will also be determined to be incapable of managing his or her SSA benefits. Additionally, the selection of a particular third-party individual or organization to manage a beneficiary's funds under another program does not necessarily mean that SSA will select the same individual or organization as the beneficiary's payee.

Furthermore, other legal arrangements exist whereby a third party may be granted financial or other decisionmaking power on behalf of another individual—for example, power of attorney or guardianship. Similarly, the presence of these types of relationships does not always mean that a beneficiary will be determined incapable of receiving direct payment by SSA or that the third-party individual or organization serving in such a role will automatically be chosen as the individual's payee.

Additional Resources

- CRS In Focus IF12658, *Social Security: Representative Payees and Power of Attorney*
- SSA, "Representative Payee"
- SSA, *A Guide for Representative Payees*, <https://www.ssa.gov/pubs/EN-05-10076.pdf>

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