

VETERANS BENEFITS OVERVIEW

Introduction

Veterans with disabilities may be eligible for a range of benefits through the U.S. Department of Veterans Affairs (VA), including monthly cash payments, healthcare and employment supports. Understanding how employment and income may impact these benefits is essential for making informed financial and self-employment decisions.

This document provides an overview of the most common cash benefits available to veterans with disabilities. It also explains how self-employment earnings may affect these benefits, and how they interact with Social Security disability programs. The VA administers two primary cash benefit programs: Disability Compensation and Veterans Pension. In some cases, veterans may also receive payments through military retirement programs administered by the Department of War.

Note: Visit the [VA website](#) for more information on programs the VA offers to veterans, not just those with disabilities.

Primary VA Disability Benefits

The VA administers two main programs that provide monthly cash payments to veterans with disabilities: Disability Compensation and Veterans Pension. While both provide financial support, they operate very differently. Compensation is for service-connected injuries and is based on severity, while Pension is a needs-based program for low-income, wartime veterans.

VA Disability Compensation (Service-Connected)

VA Disability Compensation is a monthly payment for veterans with disabilities that were caused or worsened by military service. The amount of the benefit is based on a disability rating, which ranges from 0% to 100% and reflects the severity of the condition and its impact on earning capacity. This program is not means-tested, meaning income and assets do not affect eligibility or payment amounts. Veterans can work and earn income without reducing their benefits.

Unlike the Social Security system of determining disability using “all or nothing” criteria, the VA system uses a disability rating structure in which it assesses the degree of disability using percentages. The system may determine individuals to be disabled anywhere along a continuum ranging from 0 percent to 100 percent disabled. The VA uses the “Schedule for Rating Disabilities” for evaluating the degree of disability in claims for veterans’ disability compensation and in eligibility determinations. The VA rating system estimates how much a veteran’s disability may limit their ability to work and earn income in everyday jobs. The Schedule for Rating Disabilities is published in [Title 38 of the Code of Federal Regulations](#).

Veterans Pension (Needs-Based)

Veterans Pension is a tax-free, needs-based benefit provided by the VA to support low-income wartime veterans. It offers a monthly payment to help with daily living expenses and is available to veterans who are age 65 or older or have a permanent and total disability. Unlike Disability Compensation, it is not based on service-connected disabilities. Because this program is means-tested, both income and assets are used to determine eligibility and payment amounts.

How Employment Affects VA Benefits

VA Disability Compensation is not affected by earnings, so veterans can work without reducing their benefit. However, if they show consistent work (for 12 months) over the substantial gainful employment level, they may see a ratings reduction. If a veteran qualifies for Individual Unemployability (IU), veterans are paid at the 100% rate because of their service-connected disabilities. They must remain unable to maintain full-time, substantially gainful employment, although some limited or lower-income work, such as seasonal work, may be allowed. See [Individual Unemployability if you can't work](#) for more information.

Note: The VA definition of substantial gainful employment is different than the Social Security definition.

The Veterans Pension program is means-tested, meaning a veteran’s income affects both eligibility and the monthly payment amount. The VA considers income from many sources, including wages, salaries, self-employment earnings and income from investments or rent. It may also count the value of goods, services or housing received in place of wages. The VA uses gross income (before taxes or other deductions), not take-home pay, when making these determinations. For self-employment, certain business expenses, such as costs of goods, rent, taxes and upkeep, may be deducted to determine countable income. Any income that is considered countable under VA rules reduces the Veterans Pension payment dollar-for-dollar.

VA pension recipients report income, net worth and changes in financial status to the VA using the [Eligibility Verification Report, VA Form 21P-0510](#).

VA Benefits and Social Security

Veterans may receive both VA and Social Security disability benefits at the same time, but how these benefits interact depends on the specific program. VA benefits do not reduce Social Security Disability Insurance (SSDI) payments, meaning veterans can receive both without an offset.

For more information visit: [Social Security Disability and Veterans Affairs Disability — How Do They Compare?](#)

However, Supplemental Security Income (SSI) is a needs-based program, and most VA payments are counted as unearned income, which can reduce or even eliminate SSI benefits. In general, VA Disability Compensation is counted as unearned income for SSI with only limited exclusions, such as certain Aid, children's portion of the compensation payment and Attendance or Housebound allowances.

Veterans Pension, which is also needs-based, is treated as income and typically reduces SSI payments dollar-for-dollar, although SSI excludes some VA payments such as payments made as part of the Veteran Readiness & Employment, Compensated Work Therapy and certain clothing allowances.

In the other direction, Social Security benefits do not affect VA Disability Compensation because it is not means-tested. However, Social Security benefits such as SSDI may reduce Veterans Pension payments dollar-for-dollar since Pension is based on financial need, while SSI is not counted as income for VA Pension purposes. Understanding these interactions is important, as receiving one benefit may affect eligibility for or the amount of another.

Additional VA Supports

In addition to cash benefits, the VA offers a range of supports to help veterans meet their healthcare, employment and daily living needs, including:

- **Healthcare Services:** Medical and mental health care through the VA system or the VA healthcare services
- **Veteran Readiness and Employment (VR&E):** Career counseling, training and job support
- **VR&E Subsistence Allowance:** Monthly payments for veterans participating in approved training or education programs
- **Housing Grants (SAH/SHA):** Assistance to buy, build or modify homes for accessibility

- **Vehicle Adaptation Grants:** Help with purchasing or modifying vehicles
- **Life Insurance Programs:** Coverage options for veterans with disabilities
- **Clothing Allowance:** Annual payments for clothing damaged by prosthetics or treatment
- **Aid and Attendance/Housebound Benefits:** Additional support for veterans needing help with daily activities
- **State Veterans Benefits:** Additional supports such as education benefits, tax exemptions and housing programs

Income from work or self-employment may affect some benefits, particularly needs-based programs like a VA pension. However, many VA supports, such as VR&E and housing or vehicle grants, are not based on income. It is important to understand which programs are affected and how earnings may interact with other benefits.

Conclusion

VA benefits provide critical financial and support resources for veterans with disabilities. Understanding how these benefits work and how self-employment impacts them can help veterans and business owners maintain financial stability. Veterans are encouraged to seek guidance from VA representatives, Veterans Service Organizations (VSOs) and benefits counselors.

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