



Social Security

How Work Affects Your Benefits

2012

www.socialsecurity.gov

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You can get Social Security retirement or survivors benefits and work at the same time. But, if you are younger than full retirement age and earn more than certain amounts, your benefits will be reduced. It is important to note, though, that these benefit reductions are not truly lost. Your benefit will be increased at your full retirement age to account for benefits withheld due to earlier earnings. (Spouses and survivors who receive benefits because they have minor or disabled children in their care do not receive increased benefits at full retirement age if benefits were withheld because of work.)

NOTE: *Different rules apply if you receive Social Security disability benefits or Supplemental Security Income payments. Then you must report all earnings to Social Security. Also, different rules apply if you work outside the United States. Contact us if you are working (or plan to work) outside the country.*

How much can you earn and still get benefits?

If you were born January 2, 1943, through January 1, 1955, then your full retirement age for retirement insurance benefits is 66. *If you work and are full retirement age or older, you may keep all of your benefits, no matter how much you earn.* If you are younger than full retirement age, there is a limit to how much you can earn and still receive full Social Security benefits. If you are younger than full retirement age during all of 2012, we must deduct \$1 from your benefits for each \$2 you earned above \$14,640.

If you reach full retirement age during 2012, we must deduct \$1 from your benefits for each \$3 you earn above \$38,880 until the month you reach full retirement age.

These examples show how the rules would affect you:

Let us say that you file for Social Security benefits at age 62 in January 2012 and your payment will be \$600 per month (\$7,200 for the year). During 2012, you plan to work and earn \$20,800 (\$6,160 above the \$14,640 limit). We would withhold \$3,080 of your Social Security benefits (\$1 for every \$2 you earn over the limit). To

do this, we would withhold all benefit payments from January 2012 to June 2012. Beginning in July 2012, you would receive your \$600 benefit and this amount would be paid to you each month for the remainder of the year. In 2013, we will pay you the additional \$520 we withheld in June 2012.

Or, let us say you were not yet full retirement age at the beginning of the year, but reach it in November 2012. You earned \$39,960 in the 10 months from January through October. During this period, we would withhold \$360 (\$1 for every \$3 you earn above the \$38,880 limit). To do this, we would withhold your first check of the year. Beginning in February 2012, you will receive your \$600 benefit, and this amount will be paid to you each month for the remainder of the year. We would pay you the remaining \$240 dollars in January 2013.

Your earnings and your benefits—how much will you get?

The following table gives you an idea of how much you will receive in Social Security benefits for the year 2012, based on your monthly benefits and estimated earnings.

For people younger than full retirement age during the whole year

| <i>If your monthly Social Security benefit is</i> | <i>And you earn</i> | <i>You will receive yearly benefits of</i> |
|---|---------------------|--|
| \$700 | \$14,640 or less | \$8,400 |
| \$700 | \$15,000 | \$8,220 |
| \$700 | \$20,000 | \$5,720 |
| \$900 | \$14,640 or less | \$10,800 |
| \$900 | \$15,000 | \$10,620 |
| \$900 | \$20,000 | \$8,120 |
| \$1,100 | \$14,640 or less | \$13,200 |
| \$1,100 | \$15,000 | \$13,020 |
| \$1,100 | \$20,000 | \$10,520 |

What income counts... and when do we count it?

If you work for someone else, only your wages count toward Social Security's earnings limits. If you are self-employed, we count only your net earnings from self-employment. We do not count income such as other government benefits, investment earnings, interest, pensions, annuities, and capital gains. However, we do count an employee's contribution to a pension

or retirement plan if the contribution amount is included in the employee's gross wages.

If you work for wages, income counts when it is earned, not when it is paid. If you have income that you earned in one year, but the payment was made in the following year, it should not be counted as earnings for the year you receive it. Some examples are accumulated sick or vacation pay and bonuses.

If you are self-employed, income counts when you receive it—not when you earn it—unless it is paid in a year after you become entitled to Social Security and earned before you became entitled.

Special rule for the first year you retire

Sometimes people who retire in mid-year already have earned more than the yearly earnings limit. That is why there is a special rule that applies to earnings for one year, usually the first year of retirement. Under this rule, you can get a full Social Security check for any whole month you are retired, regardless of your yearly earnings.

In 2012, a person under full retirement age for the entire year is considered retired if monthly earnings are \$1,220

or less. For example, John Smith retires at age 62 on October 30, 2012. He will make \$45,000 through October.

He takes a part-time job beginning in November earning \$500 per month. Although his earnings for the year substantially exceed the 2012 annual limit (\$14,640), he will receive a Social Security payment for November and December. This is because his earnings in those months are \$1,220 or less, the monthly limit for people younger than full retirement age. If Mr. Smith earns more than \$1,220 in either of those months (November or December), he will not receive a benefit for that month. Beginning in 2013, only the yearly limits will apply to him.

Also, if you are self-employed, we consider how much work you do in your business to determine whether you are retired. One way is by looking at the amount of time that you spend working. In general, if you work more than 45 hours a month in self-employment, you are not retired; if you work less than 15 hours a month, you are retired. If you work between 15 and 45 hours a month, you will not be considered retired if it is in a job that requires a lot of skill or you are managing a sizable business.

Should you report changes in your earnings?

We adjust the amount of your Social Security benefits in 2012 based on what you told us you would earn this year. If

you think your earnings for 2012 will be different than what you originally told us, let us know right away.

If other family members get benefits based on your work, your earnings after you start getting retirement benefits could reduce their benefits, too. However, if your spouse and children get benefits as family members, their earnings affect only their own benefits.

If you need help in figuring your earnings, contact us. When you call, have your Social Security number handy.

Will you receive higher monthly benefits later if benefits are withheld because of work?

Yes. If some of your retirement benefits are withheld because of your earnings, your benefits will be increased starting at your full retirement age to take into account those months in which benefits were withheld.

As an example, let us say you claim retirement benefits upon turning 62 in 2012 and your payment is \$750 per month. Then, you return to work and have 12 months of benefits withheld. We would recalculate your benefit at your full retirement age of 66 and pay you \$800 a month (in today's dollars). Or, maybe you earn so much between the ages of 62 and 66 that all benefits in those years are withheld. In that case, we would pay you \$1,000 a month starting at age 66.

Are there other ways that work can increase your benefits?

Yes. Each year we review the records for all Social Security recipients who work. If your latest year of earnings turns out to be one of your highest years, we refigure your benefit and pay you any increase due. This is an automatic process and benefits are paid in December of the following year. For example, in December 2012, you should get an increase for your 2011 earnings if those earnings raised your benefit. The increase would be retroactive to January 2012.

Contacting Social Security

For more information and to find copies of our publications, visit our website at www.socialsecurity.gov or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. Generally, you'll have a shorter wait time if you call during the week after Tuesday. We can provide information by automated phone service 24 hours a day.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.



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