



Social Security

How Work Affects Your Benefits

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You can get Social Security retirement or survivors benefits and work at the same time. However, under the law, your benefits could be reduced if you earn more than certain amounts. This leaflet explains what counts as “earnings” and how to report earnings to Social Security. It also explains a special rule that usually applies to the first year you begin getting Social Security benefits.

***NOTE:** A different set of rules applies to people receiving Social Security disability benefits or Supplemental Security Income (SSI) payments. These people should report all earnings to Social Security. Also, different rules apply to most work done outside the United States. Contact Social Security if you are working (or plan to work) outside the country.*

How much can you earn and still get benefits?

If you work and are full retirement age (age 65 and 4 months in 2004) or older, you may keep all of your benefits, no matter how much you earn. If you are younger than age 65 and 4 months all year, there is a limit to how

much you can earn and still receive full Social Security benefits. If you are younger than age 65 and 4 months in all of 2004, we must deduct \$1 from your benefits for each \$2 you earned above \$11,640.

If you turn 65 and 4 months during 2004, we must deduct \$1 from your benefits for each \$3 you earned above \$31,080 until the month you turn 65 and 4 months.

These examples show how the rules would affect you:

Let us say that you begin receiving Social Security benefits at age 62 in January 2004 and your payment is \$600 per month (\$7,200 for the year). During the year, you work and earn \$20,000 (\$8,360 above the \$11,640 limit). We would withhold \$4,180 of your Social Security benefits (\$1 for every \$2 you earn over the limit), but you would still receive \$3,020 in benefits.

Or, let us say you were age 64 at the beginning of the year, but reach full retirement age (currently 65 and 4 months) in August 2004. You earned \$33,000 in the seven months from January through July. During this period, we would withhold \$640 (\$1 for every \$3 you earned above the \$31,080 limit). You would still receive \$3,560 of

your Social Security benefits. And, starting in August (when you reach 65 and 4 months), you would begin receiving your full benefits, no matter how much you earn.

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 2004, based on your monthly benefits and estimated earnings.

For people age 64 and younger		
<i>If your monthly Social Security benefit is</i>	<i>And you earn</i>	<i>You will receive yearly benefits of</i>
\$500	\$11,640 or less	\$6,000
\$500	\$15,000	\$4,320
\$500	\$20,000	\$1,820
\$700	\$11,640 or less	\$8,400
\$700	\$15,000	\$6,720
\$700	\$20,000	\$4,220
\$900	\$11,640 or less	\$10,800
\$900	\$15,000	\$9,120
\$900	\$20,000	\$6,620

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.

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 rules 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

(over)

are special rules that apply to earnings for one year, usually the first year of retirement. Under these rules, you can get a full Social Security check for any whole month you are retired, regardless of your yearly earnings.

In 2004, a person under full retirement age (age 65 and 4 months) is considered retired if monthly earnings are \$970 or less. For example, John Smith retires at age 62 on August 30, 2004. He will make \$45,000 through August. He takes a part-time job beginning in September, earning \$500 per month. Although his earnings for the year substantially exceed the 2004 limit (\$11,640), he will receive a Social Security payment for September through December. This is because his earnings in those months are less than \$970, the special “first year of retirement” monthly limit for people younger than full retirement age. If Mr. Smith earns more than \$970 in any of those months (September through December), he will not receive a benefit for that month.

Beginning in 2005, only the yearly limits will apply to him because he will be beyond his first year of retirement.

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.

Reporting changes in your earnings

We adjusted the amount of your Social Security benefits in 2004 based on what you told us you would earn this year. If you think your earnings for 2004 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 my extra earnings increase my benefits?

Your original Social Security benefit was based on your highest years of earnings. But 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 benefits and pay you any increase due. This is an automatic process and is usually completed by October of the following year. For example, by October 2004, you should get an increase for your 2003 earnings if those earnings raised your benefit. The increase would be retroactive to January 2004.

Contacting Social Security

For more information, 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 can answer specific questions and provide information by automated phone service 24 hours a day.

We treat all calls confidentially. 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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