Social Security: Working After Retirement

A Social Security beneficiary will lose part or all of his benefits if he is under the normal retirement age for all of 2015 and earns over $15,720. However, an alternative test applies in the initial year of retirement if it produces a more favorable result. A beneficiary will lose benefits if he reaches normal retirement age in 2015 and earns more than $41,880. Earnings in and after the month in which a person reaches normal retirement age are not included in determining total earnings for the year.[[1]](#endnote-1)

The annual exempt amounts ($15,720 and $41,880 in 2015) will be increased each year as wage levels rise.

A beneficiary who has reached normal retirement age before the current year can earn any amount without loss of benefits. Regardless of how much earnings are earned in the year of attaining normal retirement age, no benefits are withheld for the month in which normal retirement age is reached, or for any subsequent month.

If the beneficiary is at normal retirement age or older, no benefits will be lost because of his earnings. If he is under the normal retirement age, the following rules apply:

* If no more than $41,880 is earned in 2015 by a beneficiary who reaches the normal retirement age in 2015, no benefits will be lost for that year.
* If more than $41,880 is earned in 2015 before the month the beneficiary reaches normal retirement age, $1 of benefits will be lost for each $3 of earnings over $41,880.
* If not more than $15,720 is earned in 2015 by a beneficiary under normal retirement age for the entire year, no benefits will be lost for that year.
* If more than $15,720 is earned in 2015 by a beneficiary under normal retirement age for the entire year, $1 of benefits will ordinarily be lost for each $2 of earnings over $15,720.
* But, no matter how much is earned during 2015, no *retirement* benefits in the *initial year of retirement* will be lost for any month in which the beneficiary neither: (1) earns over $1,310 if retiring in a year before the year he reaches normal retirement age, nor (2) renders any substantial services in self-employment.

The initial year of retirement is the first year in which he is both entitled to benefits and has a month in which he does not earn over the monthly exempt wage amount (as listed above) and does not render substantial services in self-employment.

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In determining the amount of benefits for a given year that will be lost, two factors must be taken into consideration: (1) the amount of the person’s excess earnings for the year, and (2) the months in the year that can actually be charged with all or a portion of the excess earnings potentially chargeable in the initial year of retirement.

Both wages earned as an employee and net earnings from self-employment are combined for purposes of determining the individual’s total earnings for the year. Only “excess earnings” are potentially chargeable against benefits.

Excess earnings are charged first against all benefits payable on the worker’s account for the first month of the year. If any excess earnings remain, they are charged against all benefits payable for the second month of the year, and so on until all the excess earnings have been charged, or no benefits remain for the year. However, a month cannot be charged with any excess earnings and must be skipped if: (1) the individual was not entitled to benefits for that month, (2) was over normal retirement age in that month; (3) in the initial year of retirement he did not earn over $1,310 (using 2015 figures) in a year before the year he reaches normal retirement age; or (4) did not render substantial services as a self-employed person in that month.

If the excess earnings chargeable to a month are less than the benefits payable to the worker and to other persons on his account, then the excess is chargeable to each beneficiary in the proportion that the original entitlement rate of each bears to the sum of all their original entitlement rates.

*Example 1:* Dr. Smith, who partially retired in 2012 at age 62, practices for four months in 2013 and earns $32,000. As 2013 is his second year of retirement, the monthly earnings test does not apply. His benefits will be reduced by $1 for each $2 of earnings over $15,120 (the maximum amount for 2013). This means that Dr. Smith’s benefits in 2013 will be reduced by $8,440 (½ of the amount in excess of $15,120).

*Example 2:* Mr. Martin is 68 years old and has not retired. He earns $45,000 a year. Mr. Martin receives retirement benefits of $700 a month. Because he is over the normal retirement age, he loses none of his benefits by working.

1. 42 USC §403(b). [↑](#endnote-ref-1)