

How Work Affects Social Security Benefits

Monthly Social Security benefits are paid to individuals for a number of reasons, including retirement, disability, and death. If a Social Security recipient also works, some of the benefits may be reduced if the income earned exceeds certain dollar amounts.



However, the month an individual reaches “Normal Retirement Age,” or NRA, Social Security benefits are no longer reduced, regardless of the amount of income earned.

NRA is the age at which an individual can expect to receive 100% of his or her normal retirement benefit, without reduction for early retirement. For those born in 1937 or earlier, NRA is age 65. For those born after 1937, NRA gradually increases until it reaches age 67 for those born in 1960 or later.

Age of Social Security Benefits Recipient	Annual Exempt Amount		One Dollar of Benefits Is Lost for Every Two or Three Dollars You Earn Over the Exempt Amount
	2008	2009	
Under NRA	\$13,560	\$14,160	Every Two Dollars
Year NRA Reached	\$36,120	\$37,680	Every Three Dollars
Month NRA Reached	No Limit	No Limit	No Loss of Benefits

Example (1): An individual begins receiving Social Security benefits at age 63 in January 2009, with an entitlement of \$500 per month. If the retiree works and earns \$24,160 during the year, he or she would have to give up \$5,000 of Social Security benefits (\$1 for every \$2 over the \$14,160 limit), but would still receive \$1,000.

Example (2): Assume an individual reaches NRA in November 2009. Also assume the individual earns \$48,816 during the year, with \$40,680 of this amount being received in the first 10 months of the year. The individual would give up \$1,000 in benefits, \$1 for every \$3 earned above the \$37,680 limit. Assuming a Social Security retirement benefit of \$500 per month, the individual would still receive \$4,000 out of \$5,000 for the first 10 months of the year. Full benefits of \$1,000 (\$500 per month) would be received for November and December, after NRA was reached.

What Counts as Earnings?

Any wages earned after retirement from work as an employee and any net earnings from self-employment count as earnings. Wages include bonuses, commissions, fees, vacation pay, pay in lieu of vacation and cash tips of \$20 or more in a month.

Continued...

How Work Affects Social Security Benefits

What Doesn't Count as Earnings?

- Investment income, including stock dividends, interest from savings accounts, income from annuities, limited partnership income and rental income from real estate you own (unless you are a real estate dealer).
- Income from Social Security, pensions, other retirement pay and Veterans Administration Benefits.
- Gifts or inheritances.
- Royalties received after age 65 from patents or copyrights obtained before that year.
- If you are a retired partner, retirement payments from partnerships don't count if:
 - The payments continue for life under a written agreement which provides for payments to all partners or a class of them; and
 - You rendered no services to the partnership during the taxable year the retirement payments were received; and
 - Your share of the partnership capital was paid to you in full before the end of the partnership's taxable year and there is no obligation to you other than retirement payments.
- Income from self-employment received in a year after the year a person becomes entitled to benefits. This refers to income which is not attributable to services performed after the month of entitlement.