

## Social Security: Will Going Back to Work Affect My Benefit?

June 2012

By Amanda Lott, CFP®, CRC®,  
Wealth Advisor

**Q:** I am currently 62 and have retired. If I begin receiving Social Security benefits but decide to go back to work between now and age 66, won't I lose some of my benefit? Should I work less to stay under the earnings limit?

Your full retirement age is 66. If you receive your benefits today (that is, at age 62), the benefit that you would have received at age 66 will be reduced 25%, because you will receive benefits for a longer period of time. The earnings limit applies to recipients under full retirement age (FRA), which is the case in your scenario. You will be under the FRA throughout 2012; therefore, if your earnings exceed \$14,640, \$1 of benefits will be withheld for every \$2 you earn above that amount. For example purposes, let's assume the following:

- Your monthly benefit at 62 is \$1,000/month
- You turned 62 on 1/1/2012
- You begin taking retirement benefits in January 2012
- You earn \$25,640 in 2012.

With the above assumptions, the reduction in your benefit would be calculated as follows:

$$(\$25,640 - \$14,640) / 2 = \$6,000$$

In this example, \$6,000 of benefits are withheld from January – June. Since your benefit is \$1,000/month, this means that you would not receive checks from January – June and they would start again in July. You may be wondering how the government knows how much to withhold when your earned income for the year is not yet known. The Social Security Administration asks people receiving benefits before full retirement age to estimate their earned income for the year. After the year is over and actual earnings have been reported, any necessary adjustments will be made.

There is a common misconception that the benefits lost due to the earnings limit will never be recovered. That is incorrect. Let's assume that our retiree in this example continues a similar behavior and only receives half of his retirement checks each year (i.e. he only receives 24 checks out of the possible 48 checks from age 62 - 66).

Upon full retirement age (age 66), his benefit is recalculated. Originally, the retirement benefit was reduced by 25% due to receiving benefits prior to full retirement age. Since half of the checks were not actually received during that time period, the retirement benefit is recalculated and only a 12.5% reduction is made (50% of the 25% reduction). It essentially is recalculating the benefits as if the recipient had waited to apply for benefits.

So, recipients who are under full retirement age and are still working are not necessarily penalized for having earned income because the benefits not received due to the earnings limitation is recalculated into his or her monthly benefit upon full retirement age. However, by starting benefits before full retirement age, the recipient is losing the opportunity to earn delayed retirement credits, which currently accrue at 8% for each year he or she waits to receive benefits after FRA until age 70.

#### Important Disclosure Information

Please remember to contact RegentAtlantic if there are any changes in your personal or financial situation or investment objectives for the purpose of reviewing our previous recommendations and services, or if you wish to impose, add, or modify any reasonable restrictions to our investment management services. A copy of our current written disclosure statement discussing our advisory services and fees is available for your review upon request. This article is not a substitute for personalized advice from RegentAtlantic. This information is current only as of the date on which it was sent. The statements and opinions expressed are, however, subject to change without notice based on market and other conditions and may differ from opinions expressed in other businesses and activities of RegentAtlantic. Descriptions of RegentAtlantic's process and strategies are based on general practice and we may make exceptions in specific cases.

This information is based on our current understanding of the current social security laws. These laws are subject to change by Congress.

Please remember that RegentAtlantic does not provide tax advice so please remember to consult your tax advisor prior to implementing any strategy discussed in this article.

RegentAtlantic. [A better way.](#)

1200 Mount Kemble Avenue, Morristown, NJ 07960-6797

PH: 973-425-8420 FX: 973-425-8434

[www.regentatlantic.com](http://www.regentatlantic.com)



