

How Work Affects Benefits

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Anyone who collects Social Security benefits before full retirement age—including retired workers, their spouses, and survivors—are subject to earnings restrictions if they continue work while receiving benefits. The earnings cap applies only to wages from a job or net self-employment income, not other sources of income such as investments, pensions, other government benefits or payment for work you completed before retirement.

But the Social Security Administration (SSA) does count an employee's contribution to a pension or retirement plan if that contribution is included in employee's gross wages. That means, SSA counts your gross earnings, not your net earnings after deducting your 401(k) contributions, when applying the annual earnings limit.

In 2024, you lose \$1 in benefits for every \$2 earned over \$22,320 if you are younger than full retirement age for the entire year. The earnings cap is indexed to inflation and increases in years when there is a cost-of-living adjustment (COLA).

Let's say you are 62 and are eligible to collect \$1,250 per month in Social Security benefits for a total of \$15,000 per year. Assume you claim benefits early and you continue to work part-time. If you expect to earn \$40,000 from that job, that's \$17,680 over the earnings limit ($\$40,000 - \$22,320 = \$17,680$) so you would forfeit half of that excess amount: \$8,840 in benefits.

SSA would withhold your first eight months of benefits ($\$1,250 \times 8 = \$10,000$) due to excess earnings and would send your full Social Security benefits in September, October, November, and December. SSA can only withhold full-month benefit amounts. SSA would refund the excess \$1,160 it withheld this year to satisfy the earnings cap ($\$10,000 - \$8,840$). The following year, the clock would begin again with the new annual earnings limit.

A more generous earnings cap applies in the year you reach full retirement age. You can earn up to \$59,520 in 2024 in the months before reaching your full retirement age without sacrificing any Social Security benefits. If you earn more than that, you'll forfeit \$1 in benefits for every \$3 earned over the limit.

In 2024, the full retirement age increases to 66 and 8 months and applies to people who were born in 1958. The gradual increase of two months per year will continue until the full retirement age reaches 67 for those born in 1960 and later. Once you reach full retirement age, the earnings cap disappears, meaning you can continue work without losing any of your Social Security benefits.

Sometimes people who retire in midyear may have already earned more than the annual earnings limit. That's why there is a special rule that applies to earnings for one year, usually the first year in 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 2024, a person younger than full retirement age for the entire year is considered retired if monthly earnings from a job are \$1,860 or less, which is the annual earnings limit of \$22,320 divided by 12.

Consider this example from SSA: John Smith retires at age 62 on October 30, 2023. He will earn \$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 2023 annual limit of \$21,240, he will receive a Social Security payment in November and December because his earnings in those months are \$1,770 or less, the monthly limit for people younger than full retirement age. If Mr. Smith earns more than \$1,770 in either November or December, he will not receive a benefit for that month. Beginning in 2024, only the annual limit will apply to him.

SSA adjusts your benefits based on the amount you tell them you would earn in 2023. If you think your earnings will be different than what you reported, contact SSA right away at 800-772-1213 or www.ssa.gov. If other family members, such as a spouse or dependent minor or disabled child, receive benefits based on your earnings, your earnings from work you do after starting Social Security benefits could reduce their benefits, too.

But benefits lost to the earnings cap are not gone forever, they are merely deferred. For example, say you claimed retirement benefits at 62 and continue to work. And assume over the next four years, you forfeit 24 months of Social Security benefits due to excess earnings. When you reach your full retirement age, SSA will recalculate your benefits, adding back any months you forfeited because of the earnings cap. Going forward, SSA would pay you a larger monthly benefit as if you had claimed at age 64 rather than 62, reflecting the 24 months of forfeited benefits that are restored after you reach full retirement age. For more information, see "How Work Affects Your Benefits" (<https://www.socialsecurity.gov/pubs/EN-05-10069.pdf>).

*Contact Mary Beth's
Team*



Ask a Social Security Question for Free

Please ask your Social Security question here and Mary Beth or an expert Social Security Advisor will answer you.

Your Name *

You Can Use an Anonymous Name if You Prefer

Email *

Phone *

Gender *

Date of Birth *

Employment Status *

Do You Have Children Under 18 or Disabled Prior to 22?

Do You Have or Will You Have a Non-Covered Pension? *

This is a pension from a job where you DID NOT pay into Social Security.

Have You Started to Collect Social Security? *

What is Your Marital Status? *

If you were married for at least 10 years before getting divorced, select "Divorced"

otherwise if it was less than 10 years, select "Single."

What is Your Social Security Question for Mary Beth and Her Team? *

Please enter your Social Security question here

SUBMIT MY QUESTION

