Social Security: Incorporating Your Work History into Your Benefit

September 2012

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Q: I am over 70 years old and already collecting Social Security benefits. If I continue working, can I still receive earnings credits towards my working history? Also, can my latest earnings years increase my benefit?

Whenever you have earnings, those earnings will count towards your working history in order to determine your Social Security benefit. This is true regardless of your age and whether you have started collecting benefits or not.

While this answer is simple, we know that collecting Social Security benefits is anything but simple. Let's take a minute to address some additional items that are relevant to your situation.

First, beginning at Full Retirement Age (age 66 for current recipients of Social Security retirement benefits), your Social Security benefits are no longer subject to an earnings limit. The earnings limit is the maximum amount of earnings a worker can earn before Social Security benefits that are concurrently being received are withheld. This means that beginning at full retirement age, under current law, none of your benefits will be withheld, regardless of how much you earn.

Second, if you are age 70 and still working, you may have decided to postpone receiving benefits until age 70 in order to earn Delayed Retirement Credits. At this point in time you should file to start receiving benefits immediately as you cannot earn additional Delayed Retirement Credits, which are currently 8% per year after reaching full retirement age.

Now, to the second part of the question. Your benefit can increase if your latest earnings year is higher than one of your previous 35 highest earnings years. Please remember that the Social Security Administration (SSA) uses your highest 35 years of earnings to calculate your monthly benefit. These 35 years do not have to be consecutive. Your benefit will only increase if your latest earnings year replaces one of your lower earnings years. It will not be adjusted downward if your current earnings are lower than all earnings years used in the benefit calculation.

Working past age 70 at high income levels is most valuable to individuals who do not have a complete 35 years of earnings history or have years of low earnings. Also, remember that currently, the maximum amount of earnings that is subject to payroll tax, and thus considered in your benefit calculation, is $110,100. This is known as the contribution and benefit base.

If you fall into the category of having a high earnings year after age 70, it is important to know when and how your benefits will be recalculated. Fortunately, the SSA automatically reviews the records for all Social Security recipients who worked in the previous year. This is done once each year in either March or October. After this review, the SSA will determine if any benefits need to be adjusted upwards. Any increased benefit is paid retroactively back to January of that year as a lump-sum in that upcoming December. Finally, the recalculated, higher monthly benefit is paid to the individual beginning in the following January.

For instance, if you earned enough in 2011 so that your benefit should have been $100 higher/month, the SSA will give you a lump sum of $1,200 (12 months * $100 of additional benefit owed) in December 2012. Furthermore, in January 2013, your benefit will be updated to the higher, updated amount.

Conclusion

While this process is automatic, we recommend that you contact the SSA (1-800-772-1213) to confirm that the earnings they have on file match the amount you earned in the previous year. Please note that once you have begun receiving benefits, you can no longer request a statement online or by mail. However, you can request a Benefit Verification Letter, which can be mailed or viewed online, that will provide you with your most up to date benefit amount.

For more information on how working affects your Social Security benefits, please click here (http://ssa.gov/pubs/10069.

If Barbara delays until age 70, her benefit will increase 32% according to the SSA. Therefore, it will be $1,716 (exclusive of COLAs for simplicity purposes).

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