

Drawing Social Security Early and Still Working? The Social Security Earnings Test is Crucial.

Many people decide to 'semi-retire' early and start taking their Social Security Retirement benefit at the earliest age possible. It's appealing to be able to work part-time or where you have an interest or start a small business while making an income and receive Social Security retirement benefits. While early retirement and a part-time job may be of interest to you, [it can affect your Social Security Retirement benefits](#) if you aren't full retirement age.

There's a lot of confusion about the impact of working. You can still collect Social Security benefits, but if you earn above a certain amount, your monthly benefit will reduce. [Here are a few things to know:](#)

- If you are drawing benefits and you are younger than your full retirement age or FRA (67 for those born after 1959), your benefit will be reduced by \$1 for every \$2 in earned income over \$18,240 in 2020.
- This reduces \$1 for every \$3 in earned income over \$48,600 in the year in which you reach your FRA, but only for the months before you reach your FRA.
- Once you reach your FRA, there will be no reduction in benefits, no matter how much earned income that you have.
- Earned income is defined as income from work or self-employment and includes such things as your salary, any bonus, or your net self-employment income.
- Any benefits that reduce due to too much earned income are not truly lost, and they will be added to your benefit once you reach your FRA.



Additionally, your benefit could be subject to taxes if your combined income exceeds certain thresholds. Combined income is your adjusted gross income plus one-half of your Social Security benefit plus any income earned from tax-exempt investments like muni bonds. There is no age limit and this includes income from all sources, earned or unearned.

To determine if you are at risk for reduced benefits, use the [Social Security Retirement Earnings Test Calculator](#). Social Security can be confusing, and if you have any questions regarding your benefits, including when to claim them, contact your local Social Security Administration office to schedule a meeting.

As always, if you plan to take Social Security Retirement benefits early and continue to work, we can modify your financial plan to reflect how working may or may not benefit you.

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