

## How Much Can You Earn and Still Receive Social Security?

---

Retirees are often ready, willing, and able to start new careers late in life that may earn them valuable incomes. However, some individuals may feel that it is not worthwhile to work for wages, only to have to "give up" some of those earnings in the form of higher income taxes. Frustrating as that may sound, it is important to understand the fundamentals of Social Security income and taxation so you can make your retirement years more "golden" and less "taxing."

### **Income Limits: Paying to Work?**

The first factor you must consider is your age and the so-called Social Security "give-back." If you are age 62 or older, but under the full retirement age (65 - 67 depending on your birth year), and are receiving reduced Social Security benefits, you must "give back" \$1 for every \$2 earned above \$14,160 (in 2009). The year in which you attain full retirement age your benefits would be reduced by \$1 for each \$3 earned over \$37,680. Upon attainment of full retirement age, you may earn as much as you like and Social Security benefits are not reduced.

### **How Much Is Taxable?**

A second factor affecting your Social Security benefits is the potential income taxation of those benefits. Let's assume you are working and you also receive a check from the Social Security Administration (SSA) each month. You must first determine how much, if any, of your benefit is included in your gross taxable income. The first step in estimating this is to add up the following items: your wages, taxable pensions, interest, dividends, and other taxable income; all tax-exempt interest; any exclusions from income; your net earnings (net income less net losses) from self-employment; and half of your Social Security benefits.

This total is then compared to a first-tier threshold of \$25,000 for a single taxpayer, or for a married taxpayer who is filing separately and lived apart from his or her spouse for the entire year, or \$32,000 for a married taxpayer filing jointly. For a married taxpayer filing separately, who lived with his or her spouse for any period during the year, the first-tier threshold is \$0.

For the sake of illustration, suppose your total applicable earnings are \$27,000, and you are married and filing jointly. Since the total does not exceed the applicable threshold amount of \$32,000, then no portion of your Social Security benefit is taxable. However, if the total exceeds the applicable threshold amount, a further, more complicated, calculation must be performed to determine the amount of your benefits that are taxable. You can refer to IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits, for more information, or consult your financial or tax professional.

As you can see, performing these calculations is no simple task. Thus, it is important for anyone who is thinking about taking Social Security benefits while still working to understand the potential tax consequences and to plan accordingly. As with all tax planning matters, it is wise to consult a tax professional to help ensure your planning decisions are consistent with your overall goals.

**The information contained in this article is for general use and while we believe all information to be reliable and accurate, it is important to remember individual situations may be entirely different. Therefore, information should be**

relied upon only when coordinated with professional tax and financial advice. Neither the information presented nor any opinion expressed constitutes a representation by us or a solicitation of the purchase or sale of any insurance or securities products and services . Written and published by Liberty Publishing, Inc. Copyright © 2009 Liberty Publishing, Inc. RPSTAXB5-04

*The information provided is not written or intended as specific tax or legal advice and may not be relied on for purposes of avoiding any Federal tax penalties. MassMutual, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.*

CRN201204-133944

Copyright © 2010 Massachusetts Mutual Life Insurance Company. All rights reserved.