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Important things to know about the Social Security retirement earnings test

Make Your Plan
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Key Insights

- The Social Security retirement earnings test applies to individuals who begin taking Social Security benefits before their full retirement age and earn income above a certain amount from employment or self-employment.
- The Social Security Administration postpones benefits for those subject to the earnings test.
- The intent behind the earnings test is to postpone Social Security benefits until a time when individuals no longer have earned income.



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For millions of Americans, Social Security provides a critical source of retirement income. Often misunderstood, the Social Security retirement earnings test (RET) plays a crucial role in determining how much an individual can receive in benefits if they claim Social Security before reaching full retirement age (FRA).

What is the Social Security retirement earnings test?

The RET applies to individuals who begin taking Social Security benefits before their FRA and continue to earn above a certain amount from employment or self-employment. Essentially, the Social Security Administration (SSA) postpones benefits for retirees who exceed certain income thresholds.

There are two primary earnings limits that apply depending on the retiree's age relative to FRA:

1. Before the year you reach FRA:

In 2025, the earnings limit is $23,400. For every $2 you earn above this limit, $1 will be shifted/postponed from your Social Security benefits.

Example: Suppose Nancy files for Social Security benefits when she turns 62 in January 2025 and is entitled to $1,100 a month ($13,200 for the year).

She told the Social Security Administration (SSA) that she expects to earn $36,000 in 2025, which is $12,600 over the earnings limit of $23,400. Social Security would postpone $6,300 ($1 for every $2 earned over the limit).

To do this, the SSA would withhold all benefit payments from January through June. Beginning in July, Nancy would receive her $1,100 monthly benefit for the remainder of the year.

If her 2025 earnings turn out to be $36,000, as expected, then, in the coming year, she will be paid the additional $300 withheld in June 2025 [($1,100 x 6 months) - $6,300].

2. In the year you reach full retirement age:

A higher limit applies during the year you reach FRA. For 2025, this limit is $62,160. For every $3 earned over this limit, $1 will be postponed from your benefits. However, this delay in benefits only applies until the month you reach FRA. Once you hit FRA, there are no limits on how much you can earn without affecting your benefits.

Example: Suppose Betty will attain her FRA in October 2025. She would receive $1,400 a month in benefits before the retirement earnings test.

She told the SSA that she expects to earn $70,000 from January through September 2025—the month before attaining her FRA. She would have $2,613 of benefits postponed ($1 for every $3 earned through September above the $62,160 limit).

To do this, the SSA would withhold all benefit payments for January and February 2025. Beginning in March, Betty would receive her $1,400 benefit, and this amount would be paid to her each month for the remainder of the year.

If her 2025 earnings turn out to be $70,000, as expected, then, in the coming year, she will be paid the additional $187 withheld in February 2025.

> “The retirement earnings test is based on earned income, which includes wages, salary, and self-employment income.

What income counts?

The retirement earnings test is based on earned income, which includes:

- wages,
- salary, and
- self-employment income.

It does not include:

- interest income;
- dividends;
- capital gains;
- withdrawals from a 401(k), 403(b), Traditional IRA, Keogh, and other tax-deferred accounts;
- withdrawals from nonqualified tax-deferred annuities;
- other government benefits; or
- pension benefits, including Social Security benefits.

Do you lose benefits forever?

One of the common misconceptions about the RET is that the benefits lost due to the test are gone forever. This is not the case. The SSA will recalculate your benefit once you reach FRA to account for any months that you did not receive benefits (or received reduced benefits) due to exceeding the earnings limit.

For example, if you claim Social Security at age 62 and lose a few months' worth of benefits due to the RET, the SSA will increase your monthly benefit once you hit FRA, as if you had delayed claiming benefits for that period.

Example: Suppose Sally's Social Security payment was $1,571.40 when she began benefits at age 62. Her $1,100 monthly benefit level reflects the reduction for beginning benefits 60 months before she attained FRA [$1,571.40 x 0.7 = $1,100].

Furthermore, suppose Sally postpones all benefits for 22 months and had two other months with a partial reduction postponement in benefits due to the earnings test from age 62 until attaining her FRA. Once she attains her FRA, the SSA adjusts her benefits as if she began Social Security at age 64 years, 24 months after she actually began benefits, where 24 reflects the number of months in which she delayed full or partial benefits. Her new monthly benefit level would be $1,257, which reflects a 36-month reduction period.

If Sally lives to age 81, which is shorter than an average life expectancy, then the additional $157 per month in real benefits from her FRA until her death would more than offset the 24 months of lost benefits in the months before she attained her FRA. Thus, her benefit is shifted to after her FRA.

Why does the RET exist?

The RET was established as part of the original Social Security Act of 1935 with the legislative intent to determine whether a worker had left the workforce.

As an insurance program designed to partially replace wages lost due to old age, disability, or death (for surviving dependents), Social Security aimed to support individuals who ceased working. The RET, therefore, temporarily withholds or reduces the Social Security benefits of individuals below FRA who earn above a certain threshold while collecting retirement benefits, ensuring that beneficiaries are indeed transitioning out of the workforce.

Once these individuals reach FRA, their benefits are recalculated to account for any reductions due to the RET, ultimately making the RET a tool for maintaining the integrity of the retirement system while managing work and benefit interactions.

> "The RET...temporarily withholds or reduces the Social Security benefits of individuals below FRA who earn above a certain threshold while collecting retirement benefits....

Strategies for managing the retirement earnings test

Understanding the earnings test can help you make better decisions about when to claim Social Security benefits and how much to work in retirement. Here are a couple strategies to consider:

1. Delay claiming benefits if possible:

If you plan to keep working and expect to earn more than the earnings limit, it may be worth waiting until full retirement age to claim benefits. By waiting, you can avoid any postponed payments from the earnings test and even increase your monthly benefits by earning delayed retirement credits.

2. Factor in the benefit recalculation:

If you do delay benefits because of the RET, remember that your monthly benefit will be adjusted upward once you reach FRA. Understanding this can help alleviate concerns about losing money forever.

Whose benefits are affected?

Consider a married couple, Steve and Jean, and their daughter, Ann.

If Steve is at least FRA, then his earnings would not affect any benefits based on his earnings record, including:

- his retirement benefits,
- Jean's spousal benefits, or
- Ann's child's benefits.

If Steve is younger than FRA, then his earnings would affect all benefits based on his record.

If Steve is at least FRA, but Jean is younger than FRA, then her earnings would affect:

- her own retirement benefits and
- Steve's spousal benefits, which are based on Jean's earnings record.

In addition, Jean's earnings would affect her spousal benefits, if applicable. Also, Jean's earnings after Steve's death could affect her survivor benefits.

The special rule for first-year retirees

If you retire midyear and have already earned more than the annual limit, you won't necessarily be penalized. Instead, the SSA applies a monthly earnings test. In 2025, you can earn up to $1,950 per month without seeing a reduction in benefits (for those under FRA). This special rule ensures that you can still receive some benefits even if you had higher earnings earlier in the year.

Example: Suppose George retires on September 30, 2025, at age 63. He earns $50,000 through September but earns $1,950 per month or less in October through December.

In this case, George would receive his Social Security benefits for October through December, even though he earned more than $23,400 for the year. Beginning in 2026, only the annual earnings limit would apply.

The bottom line

The RET is a key consideration for those who want to claim benefits early but plan to continue working. While it can delay your benefits in the short term, understanding how it works and planning accordingly can help you maximize your Social Security benefits over time. By delaying claiming benefits—if possible—and being mindful of the rules, you can optimize your retirement income and avoid unnecessary surprises.

Ultimately, the decision of when to claim Social Security and how much to work in retirement should be part of a larger financial strategy. Consulting with a financial planner or Social Security expert can help you navigate these complex rules and make the best choices for your situation.

Next steps:

For more information, visit:

- ssab.gov/research/retirement-trajectories-and-social-security-retirement-earnings-test/
- ssa.gov/pubs/EN-05-10069.pdf

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