



Social Security and Medicare News

Quarterly newsletter



Special Payments After Retirement

“Special payments” received after becoming entitled to Social Security benefits often cause confusion for both the beneficiary and for the Social Security Administration (SSA) regarding their treatment for the retirement earnings limit test. The retirement earnings limit test applies to beneficiaries up to the month they attain full retirement age (FRA).

Retirement Earnings Test Under FRA Throughout 2009

If you are under FRA throughout 2009, the earnings limit is \$14,160. If earnings exceed this, then \$1 of benefits is withheld for every \$2 earned above \$14,160.

Retirement Earnings Test Attain FRA in 2009

If you attain FRA in 2009, the earnings limit is \$37,680 for the period before the month FRA is attained. If earnings exceed this,

then \$1 of benefits is withheld for every \$3 earned above \$37,680.

Usually, special payments will not affect Social Security benefits if they are compensation for work done before retirement. The key issue is when the services were performed to earn the payment. SSA will generally assume that payments are earned when received unless information is provided that shows otherwise. The beneficiary will need to contact SSA and explain that the payments were earned prior to retirement so they can determine if the payments can be excluded for retirement test purposes. Usually, an explanation from the beneficiary is sufficient for SSA, but they will sometimes request further explanation or documentation from the employer.

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