Social Security: Working and Receiving Benefits- Understanding SSA Earnings Test as Applied to Retirement Benefits

WEBINAR HANDOUT

People may work while collecting Social Security benefits before reaching their Full Retirement Age (FRA). However, if their earnings exceed certain limits, Social Security may reduce or temporarily withhold benefits. FRA is based on year of birth; for people born in 1960 or later, FRA is age 67.

About the Social Security Annual Earnings Test (AET).

Before you reach FRA, Social Security's Annual Earnings Test (AET) applies. The AET allows you to earn up to a set annual amount while receiving benefits. Once you reach FRA, the AET no longer applies.

For 2026, the annual earnings limit before FRA is $24,480. This includes gross wages before taxes and net income from self-employment after business expenses. The limit increases slightly each year.

If your earnings are above the limit, the Social Security Administration (SSA) withholds $1 in benefits for every $2 you earn over the limit.

There is a special first-year rule for people who start benefits midyear. This rule is called the **Monthly Earnings Test (MET)**. It helps people who already earned more than the annual limit before they began receiving benefits.

For 2026, the MET amount is $2,040 per month. You may earn any amount before the month you choose as your first month of benefits. After benefits begin, you must keep employment income under $2,040 per month for the rest of that year to avoid losing that month's benefit. For example, if benefits begin in July, only earnings after July are subject to the monthly limit.

If you exceed the MET amount in any month, even by $1, SSA will withhold the entire benefit check for that month. The $1-for-$2 rule does not apply to the MET.

The rules are different in the **year you reach FRA**. If you reach FRA in 2026, the higher annual limit is $65,160. If your earnings before the month you reach FRA are above that limit, SSA withholds $1 in benefits for every $3 you earn over the limit. Earnings in the month you reach FRA and later do not count toward the AET. Again, once you reach FRA, there is no limit on your earnings.

SSA explains the AET and MET in its publication, linked below:
https://www.ssa.gov/pubs/EN-05-10069.pdf

In summary:

Situation	**Limit (in 2026)**	**How benefits are reduced**	**Notes**
Before FRA	$24,480	$1 withheld for every $2 over the limit	Applies to annual earnings
First year of benefits (MET)	$2,040	Entire monthly check may be withheld if earnings exceed the monthly limit	Applies after benefits begin
Year FRA is reached	$65,160	$1 withheld for every $3 over the limit	Only earnings before FRA month count
Beginning the Month FRA is attained	No limit	No reduction	Earnings no longer affect benefits

Because earning limits change each year, verify the current limits before starting benefits or making work-related decisions.

Income considered when calculating AET

For the AET, Social Security counts gross wages and net earnings from self-employment. It does not count pensions, investment income, interest, or most other unearned income.

Adjustment of Reduction Factor

The Adjustment of Reduction Factor (ARF) can increase a person's benefit at FRA if benefits were withheld before FRA because earnings were over the AET limit. ARF recalculates benefits at FRA by reducing the permanent early-claiming reduction for any months in which benefits were suspended due to the AET. This increases the monthly benefit going forward. For example, if you started benefits at age 62 and your FRA is 67, your benefit was originally reduced by 60 months. If your checks were withheld for 25 of those months, SSA will recalculate your benefit at FRA as though it had been reduced for only 35 months.

Overpayments

Why do they happen?

One common cause of overpayments is continuing to work while earning more than the AET or MET limit. This often happens because SSA does not have real-time earnings data. Reporting income promptly helps SSA adjust monthly checks sooner, instead of identifying the issue later and requiring repayment.

How to prevent overpayments:

To avoid AET overpayments, notify SSA if you expect to exceed the annual earnings limit. You can report or update projected earnings in these ways:

- **Online:** Log into your my Social Security account to report new earnings or update a previous estimate.
- **By Phone:** Call SSA at 1-800-772-1213. Agents are available Monday through Friday, 8 a.m. to 7 p.m. local time.
- **By Mail or In-Person:** You can submit pay stubs or an SSA-795 Form (Statement of Claimant) by mail or directly to your Local Social Security Office.

If you are self-employed, report projected *net earnings*—gross revenue minus allowable business expenses. If you are a wage earner, report projected gross wages. If your earnings change during the year, contact SSA as soon as possible to update your estimate and help prevent overpayments.

Three options if you have been overpaid:
If you have been overpaid, you generally have three choices: **repay the money**, **appeal the decision** if you disagree with SSA's calculation, or **request a waiver** if the overpayment was not your fault and you cannot afford to repay it.

Use these steps to resolve an AET overpayment:

- **Set up a repayment plan:** If you do not appeal or receive a waiver, you must repay the balance. You can mail a check, make a payment through Pay.gov, or arrange for a monthly deduction from future benefit checks.
- **Submit an appeal:** If you believe SSA miscalculated your earnings or applied the AET in error, you can file a Request for Reconsideration using Form SSA-561 online through your my Social Security account.
- **Request a waiver:** If you agree you were overpaid but believe the overpayment was not your fault and you cannot afford repayment, you can ask for a waiver using Form SSA-632. SSA will decide whether you are "without fault" and whether repayment would cause financial hardship.

Note: Any appeal or repayment must be submitted within 60 days of receipt of SSA's overpayment letter.

Additional information
Ask Rusty: **A Retirement Nightmare – Social Security's Annual Earnings Test:**
https://amacfoundation.org/a-retirement-nightmare-social-securitys-annual-earnings-test/

Any questions – contact AMAC Foundation
Phone: 888-750-2622 Monday - Friday 9:00am – 5:00pm EST
Email: SSAdivsor@AMACFoundation.org
Website: https://amacfoundation.org/questions/