

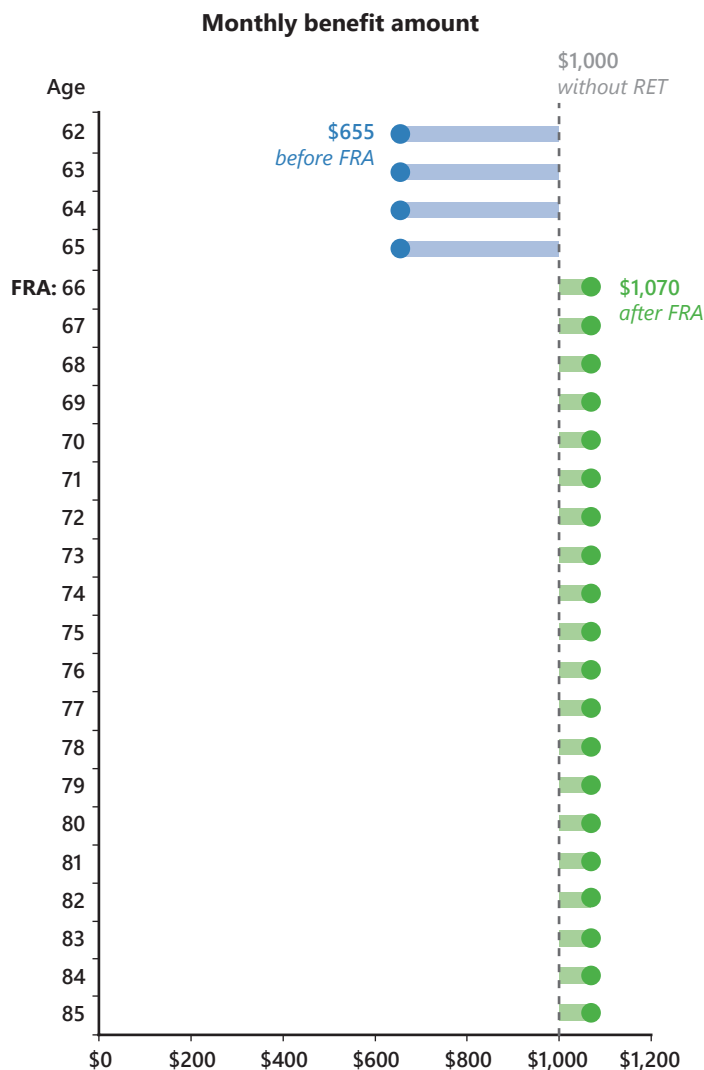


Retirement Earnings Test

DEFINITION: When you claim Social Security benefits before reaching full retirement age (FRA) and continue working and earning above a certain threshold, you are subject to the retirement earnings test (RET). The RET reduces Social Security benefits before you reach FRA, and then increases benefits for the remainder of your life when you reach FRA. Benefits withheld while you continue to work are not lost; they are added to your monthly benefit once you reach FRA.

The illustrations below show how the RET works for a hypothetical female beneficiary who claims benefits at age 62, works until age 65 earning \$24,000 a year, and lives to age 86.^a

Monthly Benefits and Lifetime Totals for Hypothetical Beneficiary Affected by RET^a



Temporary benefit reduction:

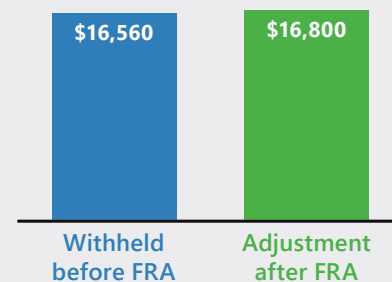
Before the beneficiary's FRA, SSA withholds some or all of her Social Security benefits for any month she earns over the RET exempt amounts.

Benefit increase after FRA:

After reaching FRA, SSA increases her Social Security benefits for any months she was affected by the RET.^b

Lifetime totals:

Over a typical life span, a RET-affected beneficiary recoups most or all of the benefits SSA withheld before FRA.



a. We assumed that the beneficiary received a monthly benefit of \$1,000 before the RET, which factors in the reduction for early retirement. Full calendar year benefits are assumed and annual adjustments for cost-of-living and RET exempt amounts are not shown.

b. At FRA, SSA recalculates a beneficiary's benefits to credit him or her for any withheld benefits by adjusting the reduction factors used when first applying for benefits. SSA also checks working beneficiaries' records every year to see whether the additional earnings will increase monthly benefits.

