**Social Security Earned Income Limitations and Retirement Benefit Calculations**

Social Security is a federal insurance program that provides benefits to retired and disabled workers, their surviving spouses and certain dependents. The amount of Social Security Benefits that a person is entitled to receive is based on a combination of several factors. In order to qualify for Social Security a person must work during enough periods. The amount of the Social Security benefits are calculated based on the highest 35 years of earnings for an individual. Social Security benefits may be reduced if a person retires before the person’s full retirement age.

Workers do not automatically qualify for Social Security retirement benefits. A worker must work and pay a minimum level of Social Security taxes for at least 40 quarters during their working lives. These 40 quarters do not have to be consecutive.

The biggest factor in how much a worker will receive in Social Security benefits is how much they earned while they were working. For Social Security purposes, what matters is the average amount a worker earned during their highest-earning 35 years.

The Social Security Administration determines the total amount a worker earned in the 35 years during which they made the most money, up to a maximum amount per year. In 2019, the maximum earning limit is $132,900. If a worker has less than 35 years of earnings, **the Social Security Administration will average in zeros for any years less than 35.**

A worker can begin to collect Social Security retirement benefits as early as age 62 but cannot begin to receive full retirement benefits until full retirement age. Full retirement age is between ages 65 and 67, depending on the worker’s date of birth. Workers born after 1960 do not attain full retirement age until 67. If a worker starts collecting benefits before their full retirement age, their benefits will be reduced.

A worker can receive Society Security retirement benefits and work at the same time. However, if a worker is younger than full retirement age and earns more than the yearly earnings limit, Social Security will reduce the benefit received. Starting with the month a worker reaches full retirement age, Social Security will not reduce their benefits no matter how much they earn.

If a worker is under the full retirement age for the entire year, Social Security deducts $1 from their benefit payments for every $2 they earn above the annual limit. For 2019, the annual limit is $17,640. In the year a worker reaches full retirement, Social Security deducts $1 from their benefit payments for every $3 they earn above $46,920. Only earned income triggers a reduction in Social Security benefits. Pensions, annuities, investment income and interests are unearned income and do not cause a reduction in Social Security benefits.

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