S&T Financial Services

A financial advisory practice of Ameriprise Financial Services, LLC

Working after retirement

This article was provided by Ameriprise Financial, a longstanding leader in advice and financial planning.

Being retired doesn't mean that you have to stop working. You may find satisfaction in having a job that really suits your interests, even if it doesn't pay as much as you previously earned. Continuing to work can also help you stay active and connected.

There can be financial benefits of working after retirement as well. But first, you'll want to determine if working in retirement is financially worthwhile for your situation.

In this article:

- Financial benefits of working in retirement
- Working after retirement while collecting Social Security
- How does income affect Social Security payments?
- When to begin collecting Social Security
- Collecting a pension while still working

Financial benefits of working in retirement

- **Covering essential expenses.** Continuing to work after retiring can help you pay for essential expenses such as housing, food, utilities and health care without using retirement savings. This could enable you to invest some of your savings more aggressively and could allow more "lifestyle" spending.

- **Growing your savings.** If your employer offers a 401(k) plan and you're eligible to participate, you can contribute up to $23,000 plus an additional $7,500 in catch-up contributions (for those age 50 and older) for 2024. If you own a deferred annuity, you can continue saving after you reach 401(k) or IRA annual contribution limit.

- **Providing flexibility with the amount of savings you use every year.** Factors such as market volatility, interest rates, inflation, health care and risk tolerance affect the percentage of savings you can sustainably spend during retirement (i.e., your withdrawal rate). Earning income can offset these factors to help your savings last.

- **Maximizing your Social Security benefits.** Although you can start collecting benefits at age 62, waiting to collect can pay off. With each year you delay, your overall benefit increases until reaching the maximum amount at age 70. Social Security benefits are based on your highest 35 years of earnings. Since non-work years don't factor into the benefit calculation, working longer could increase your Social Security benefit.

Working after retirement while collecting Social Security

If your Social Security benefits are your only source of income, they are generally not taxed by the federal government. However, if you work while receiving Social Security, or receive income from other sources (such as wages, pensions, annuities or investments), part of your Social Security benefits may be taxable.

Social Security benefits are subject to tax if the person's combined income (including tax exempt interest) exceeds certain limits. Up to 85% of Social Security benefits can be taxed.

Additionally, if you're working after retirement and start receiving Social Security benefits, your monthly payments may be affected, depending on your age.

The key is how close you are to full retirement age, which varies from 66 to 67 depending on the year of your birth. For people born 1943 to 1954, the full retirement age is 66, and it's 67 for people born in 1960 or after. You can find your full retirement age at www.ssa.gov.

How does income affect Social Security payments?

If you begin Social Security when you are...

In the years before you reach full retirement age	In the year you turn full retirement age	Older than full retirement age
$1 is deducted from your benefits for every $2 you earn above the annual earnings[1] limit	$1 is deducted from your benefits for every $3 you earn over the limit	No limit on earnings[1]
Annual earnings limit: $22,320 in 2024	Only applies to earnings[1] for months prior to turning full retirement age	You receive credit for the earnings, which may increase your Social Security benefits in the future
	Annual earnings limit: $59,520 in 2024	

[1]Earnings include salaries, bonuses, vacation pay and commissions, but not pensions, annuities, interest and investment income or veterans or other government or military retirement benefits, which do not affect your Social Security benefit.

If you retire during a year in which you have already earned more than the yearly earnings limit, you may receive a full Social Security check for any whole month you are considered retired (with limited earnings and not performing substantial services in self-employment), regardless of earnings prior to retirement.

When to begin collecting Social Security

Many people assume they must begin taking Social Security as soon as they retire, but that's not the case. The longer you wait, the more each payment may be. If you are healthy and don't need the income right away, it may be wise to delay as long as you can up to age 70. However, if you are working after retirement, you're still accumulating Social Security benefits (and perhaps earning delayed retirement credits), which may increase your payment amount when you do start collecting.

Ultimately, you must decide whether it's better to begin receiving smaller Social Security benefits at an earlier age, or to wait to collect larger monthly benefits. While the answer depends entirely on your situation — here are some key factors to consider:

- Need for current income
- Your health
- Whether you intend to work in retirement
- Future financial obligations
- Possible sources of income (such as an annuity or inheritance)
- How long you expect to live
- Marriage status (If you are married, it's wise to determine which type of payment you should take when your spouse passes away)

A financial advisor at S&T Financial Services, a financial advisor practice of Ameriprise Financial Services, LLC, can help you weigh these factors and come to a decision that suits your needs.

Collecting a pension while still working

After retirement, if you're working for a new employer while collecting a pension from a previous employer, then your pension will not be affected by your earnings.

However, if you work for the same employer from whom you are collecting a pension, they may have specific rules around how you can collect these payments in retirement:

- **Full pension payments while working:** Some retirement plans let you start collecting a full pension at the retirement age defined by the plan, even if you continue to work for that company.
- **Suspended pension payments while working:** Other plans suspend your pension payments for the time you are working; they may or may not offer increased payments when you finally retire.
- **Phased retirement:** This arrangement allows you to work part time, as early as age 62, while collecting some or all your pension benefit. Depending on the plan, your employer may continue to provide medical benefits for you as well. However, if your pension amount is based on the earnings in your final years of work, switching to part time could lower your pension payments.

Is working after retirement right for you?

There are many factors to consider when deciding whether to work after retirement. A financial advisor can help you determine when to begin taking Social Security, and even work with your employer's HR department to determine the impact of company policies.
