

## **ATTENTION RETIREES: WATCH OUT FOR TAX ON SOCIAL SECURITY BENEFITS**

It's been said that the IRS will get you "coming and going." A prime example: It was bad enough paying tax on your wages all those years. Now you may have to pay tax on the Social Security benefits received in retirement if your income exceeds a certain threshold.

### **BACKGROUND**

The Windfall Elimination Provision can affect how your retirement or disability benefit are calculated. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

### **WHEN YOUR BENEFITS CAN BE AFFECTED**

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- Your first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. You won't see a reduction in your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

### **BOTTOM LINE**

If you are thinking about early retirement, consider all the factors, including the potential tax on Social Security benefits. You might want to postpone retirement for a year or two if you will face a substantial tax bill on your benefits. The most convenient way to find additional information about the Windfall Elimination Provision is to visit [www.ssa.gov](http://www.ssa.gov) There are several things you can do online; apply for benefits; get useful information; find publications; and get answers to frequently asked questions. If you don't have access to the internet, there's an automated service by telephone, 24 hours a day, 7 days a week. Call toll-free at **1-800-772-1213** or at TTY number, **1-800-325-0778**, if you're deaf or hard of hearing

Source: SSA.gov  
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