6 things to know about Social Security benefits and working after full retirement age

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Are you collecting Social Security later than what's considered your full retirement age, and working for pay? If so, there are at least six things you need to know, experts say.

Do you know your full retirement age? Your full retirement age or FRA is determined by your birth year, and you can determine it with a retirement calculator. Why does this matter? Well, if you're younger than FRA and make more than the yearly earnings limit, your earnings may reduce your benefit amount, according to Social Security guidelines.

No earnings limit. If you're collecting Social Security benefits and still working, there is no earnings limit from FRA onward. "You can earn as much as you want -- or have the capacity to -- and Social Security will not dock your benefits," says Jim Blankenship, a certified financial planner and author of "A Social Security Owner's Manual."

But there could be tax consequences. Earnings after FRA won't affect the amount of your Social Security benefit, but you may have to pay federal income taxes on your Social Security benefits, says Blankenship.

If your provisional income - all non-Social Security income, including tax-free interest plus 50% of your Social Security benefit - is less than $32,000 (married) or $25,000 (single or head of household), then none of your Social Security benefit is subject to income tax.

Social Security will recompute your payment every year using any new earnings that appear on your record. *(Photo: Getty Images)*

But if your provisional income is between $32,000 and $44,000 (married) or $25,000 and $34,000 (single or head of household), then up to 50% of your Social Security benefit is taxable, says Blankenship. And if it's over

$44,000 (married) or $34,000 (single or head of household), then up to 85% of Social Security benefits are taxable.

It's a bit complicated to figure the taxable amount. For details, read the IRS instructions.

One way to lessen the tax burden you might face is to request tax withholding on your Social Security benefits, says Andy Landis, author of "Social Security: The Inside Story."

Watch for a Social Security raise near the end of the year. Every year, Social Security will recompute your payment using any new earnings that appear on your record, says Landis.

And if your new earnings are in your 35 highest-earning work years, you'll get a small raise, with back pay to the previous January. These recomputations, officially called Automatic Earnings Reappraisal Operation or AERO, usually occur in the fall and are not to be confused with your usual cost-of-living adjustment in January.

Your dependent spouse benefits, too. In some cases, if you have a dependent spouse attached to your Social Security record, you'll be pleased to see that your spouse's benefit will be increased as well, says David Freitag, a financial planning consultant with MassMutual. "These increases, in most cases, are small," he says. "However, they are paid each month for the rest of their lives."

Keep on working. Delayed retirement credits or DRCs stop at age 70, but your ability to increase your Social Security benefit through additional work continues forever, says Kurt Czarnowski, a principal with Czarnowski Consulting, a provider of Social Security education. "And, frankly, additional work never hurts, because if the newer year of earnings is lower than the lowest of the 35 years that are being averaged, then the payment amount doesn't go down; it stays at the same level."

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