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**Dollars & Sense**

**For Immediate Release**

**Back to Work after Retirement: How Social Security, Taxes and Health Care May Be Affected**

OKLAHOMA CITY– The old notions about retirement have, well, retired. Rather than leaving work at age 65 and going fishing or focusing on gardening, many retirees are celebrating retirement by going back to work.

According to a January 2015 Gallup poll, 80 percent of boomers in their 50s are in the workforce; 50 percent of boomers in their 60s are in the workforce and 30 percent of boomers ages 67 to 68 are working. Either by design or out of financial need, boomers are working longer, but not all of them want or need to maintain full-time positions. One in 10 baby boomers works part-time, a statistic that may increase as employers discover the magical mix of benefits that will keep high-performing boomers contributing to their bottom lines. Additionally, Gallup reports that boomers are one of the fastest growing groups of entrepreneurs because many look for an encore career after retirement.

Regardless of the reason, it’s important to understand how going back to work might impact retirement benefits and taxes.

Individuals thinking about returning to the workforce after retiring need to learn if and how Social Security benefits, health insurance and taxes will be affected so they don’t lose benefits or end up in a higher tax bracket. The Oklahoma Society of Certified Public Accountants reminds Oklahomans to keep the following in mind when considering employment after retirement:

* **Social Security Benefits:** If you’re aged 62 or older, you may have already decided to start receiving retirement benefits. However, if you get a new job and expect your income to increase, you’re required to notify the Social Security Administration (SSA). If you receive benefits, but are not yet at full retirement age (as defined by the SSA), some of your benefits may be reduced if you earn more than the annual income limit (which is $15,720 in 2015). Generally, for every two dollars you earn above the annual limit, your benefits are reduced by one dollar.

The SSA full retirement age has been gradually increasing, but it’s currently between 65 and 67 years old, depending on the year you were born (it is age 67 for everyone born in 1960 and later).

If you’re at the year when you will reach your full retirement age, but haven’t had your birthday yet, your benefits will decrease, but not by as much. Benefits will be reduced by one dollar for every three dollars you earn above the annual limit ($41,880 in 2015), until your birthday.

You can estimate how much your annual benefits will be reduced by using the online [SSA's Retirement Earnings Test Calculator](http://www.ssa.gov/oact/cola/RTeffect.html) at [www.ssa.gov](http://www.ssa.gov).

Once you reach full retirement age, your benefits will no longer be reduced, no matter how much money you earn.

If you return to work after starting to receive benefits, you may be able to receive a higher benefit based on those earnings. The SSA automatically re-computes your benefit amount after the additional earnings are credited to your earnings record. Moreover, you can repay all SSA benefits collected to date with no interest, and the benefits will be reset to a higher number based on your current age and past earnings.

* **Income Tax:** Going back to work might mean more money, but it also might bump you into a higher tax bracket. In addition, extra distributions or benefits received on top of your salary may count as additional income. You could also find yourself in a higher tax bracket by taking pension distributions on top of a regular salary or by collecting Social Security benefits while you continue working. Crunch the numbers to see how close your current income is to the next tax bracket.

“As much as 85 percent of your Social Security benefits can be taxable if your other income, including tax exempt interest plus half of your Social Security exceeds the threshold,” said Preston Smith, CPA, a sole practitioner in Tulsa, Oklahoma, who serves on the OSCPA’ Personal Financial Planning Committee. He said thresholds are $25,000 for single or head of household, $32,000 for married filing jointly and zero for married filing separately.

“This seems to be a big shocker for many clients who go back to work, since there is typically no withholding taken out of Social Security,” Smith said. “They often get a big tax bill if they get as much as a part-time job that makes their Social Security taxable.”

* **Health Care:** Health insurance is one of the biggest reasons many people under age 65 remain employed or return to the workforce. If you’re age 65 or older and already covered by Medicare, check with your employer’s human resources department about how the insurance coverage would work with your Medicare. You can also view the online publication [Medicare and Other Health Benefits: Your Guide to Who Pays First](http://www.medicare.gov/Pubs/pdf/02179.pdf) at [www.medicare.gov](http://www.medicare.gov).

According to its website, Medicare Part B insurance premiums range from $104.50 to $335.70 per month as adjusted gross income ranges from $85,000 (single filers or married filing single) or $170,000 (married filing jointly) to $214,000 (single filers), $129,000 (married filing single) or $428,000 (married filing jointly).

“Some people might find themselves paying for Part A, Hospital Insurance, which is $407 a month, if they apply for Medicare before they are eligible for Social Security,” said Pat Milligan, CPA, PFS, CGMA, a partner with HoganTaylor in Tulsa. Milligan is the chair of the OSCPA Personal Financial Planning Committee.

If you have private health insurance, carefully compare your benefits and coverage to what might be available from your new employer. Although group plans tend to be cheaper than individual policies, it might make sense to keep what you have rather than cancelling and re-applying at a later date. This is especially true if you have retiree health insurance from a former employer.

* **Pension Plans and Retirement Accounts:** Returning to work will likely ease your financial situation and allow you to delay accessing your 401(k) account. If you have a traditional pension plan or IRA, rules will vary. Check with your pension plan provider and the human resources department at your company to see if returning to work will impact your benefits, especially if you’re returning to the same employer. The 401(k) rules get more restrictive for business owners with ownership interest exceeding 5 percent.

Working past age 70 ½ doesn’t affect the required minimum distribution (RMD) rules for traditional IRAs—RMDs are still required and will generally be taxed as ordinary income. There are no RMD requirements for Roth IRAs.

There are many variables involved in returning to work and evaluating the short- and long-term tax impacts, Social Security benefits and health care. A CPA can help you analyze your current situation and determine the best course of action with regard to your personal financial plan.

For more money tips, visit [www.KnowWhatCounts.org](http://www.KnowWhatCounts.org), where you can sign up for a free e-newsletter, try out financial calculators or ask a CPA a question. Visit [www.FindYourCPA.com](http://www.FindYourCPA.com) for a free CPA referral and free 30-minute consultation.

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