



### Work after Retirement and the Earnings Test

Even if Faith decides to retire early, she thinks she may need to work part time to help cushion the transition into retirement. After all, going from two full time incomes to one full-time and one FERS annuity could wreak havoc on their budget. Even with the Special Retirement Supplement (SRS), their monthly income will be greatly affected, so getting a part time job would be helpful.

However, if Faith decides to work part time after retirement, she must be aware of an important rule called the "Earnings Test." The SRS is subject to the same Earnings Test as Social Security (SS) unless you are a special provision employee (Law Enforcement Officer, Air Traffic Controller or Fire Fighter), then only the SS income is affected. For every \$2 over the limit (\$14,160 for 2010), she must return \$1 of the SRS or SS income. The same Earnings Test will apply when the SRS ends at age 62 and SS begins. She will be subject to the Earnings Test until she reaches full retirement age as defined by the Social Security Administration.

For example, if she makes \$2,000 monthly from a part time job:

$$\$2,000 \times 12 = \$24,000 \text{ (annual income from a part time job)}$$

$$24,000 - 14,160 \text{ (limit for Earnings Test)} = \$9,840 \text{ over the Earnings Test limit}$$

$$9840/2 = \$4,920 \text{ amount of Social Security or SRS to be repaid}$$

It is possible to completely eliminate the SRS (or Social Security) income because of this rule. As a result, it is important that she is very conscious of her part time income so as not to exceed the annual limit. In the year Faith reaches her full retirement age (66) she will be subject to a higher earnings limit of \$37,680 and \$1 for every \$3 she earns over the limit will be withheld. In the month of her birthday and beyond the earnings test will no longer apply and she can earn any amount without penalty.

If you are considering retirement from federal service soon and you plan on working another job after retirement, you should always consider how the earnings test could affect your particular situation.

Christy Capital Management, Inc., a Registered Investment Advisor, provides support for federal employees throughout the Southeast in investment consulting and retirement planning. Brandon S. Christy, CPA, PFS, President, and our team of advisors at Christy Capital, are knowledgeable in tax planning, federal benefits, and creative retirement strategies. Our firm would be honored to assist you, as our client, in obtaining your long term financial goals. If you would like more information, please visit us on the web at [www.ChristyCapital.com](http://www.ChristyCapital.com), e-mail at [info@ChristyCapital.com](mailto:info@ChristyCapital.com) or you may contact us directly at 866-331-7749.

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