



# TURNING FULL RETIREMENT AGE IN 2024? CONSIDER FILING FOR BENEFITS THIS MONTH - SOCIAL SECURITY

*Posted on January 8, 2024 by Tom Margenau*



I write a column similar to this one every January. But I don't mind plagiarizing myself because it contains a very important message for people planning to retire in 2024.

January is a critical month for the hundreds of thousands of potential Social Security beneficiaries who are reaching their full retirement age in 2024. The important message: All of them should at least consider the possibility of filing for their benefits this month, even though they may not be reaching their retirement age until later in the year.

Please note that if you want to delay filing for your Social Security benefits until 70 to get the "delayed retirement credit" of about 30% added to your monthly benefits, then you should forgo the procedure discussed in this column. Also, if you're one of those people who absolutely insists on waiting until your FRA to file for benefits, then forget this column's message.

But if you are open to the possibility of increasing your benefit payout for 2024, you may want to consider filing for benefits in January.

The reason for this early filing time frame has to do with some quirky and complicated features of Social Security's earnings penalty provisions. Those provisions generally keep seniors who are still working off Social Security's rolls until they reach that magic full retirement age.

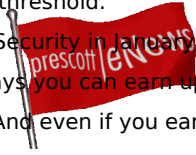
The law essentially says if you are over 62 but under your full retirement age and are still working full time, you are not eligible for Social Security. Specifically, the rules require that the Social Security Administration deduct \$1 from any retirement benefits you might be due for every \$2 you earn over \$22,320 in 2024.

However, the rules say that once you reach your full retirement age, you are due full Social Security benefits even if you are still working, no matter how much money you are making.

Let's follow an example. Let's say Ed was born in December 1957, which means he'll reach his full retirement age of 66 and six months in May 2024. And let's further say Ed generally makes about \$80,000 per year and he plans to continue working indefinitely. Based on the earnings penalty rules I briefly outlined above, Ed figures he must wait until May (his full retirement age) to begin collecting his Social Security benefits. As I said, at that magical point the earnings penalty rules no longer apply, and he can get his Social Security. And prior

to that, he's making way more than the \$22,320 income threshold.

But here is why Ed should check into applying for Social Security in January. Congress set up a more lenient earnings threshold for the year you reach your full retirement age. Specifically, it says you can earn up to \$59,520 between January and the month you reach your full retirement age and still get Social Security benefits. And even if you earn more than \$59,520, you lose only \$1 from your benefits for every \$3 you exceed that threshold.



Let's say Ed is going to make about \$27,000 between January and April (i.e., before he reaches the magic age of 66 and 6 months in May). That's under the \$59,520 threshold for 2024, which means Ed is due benefits beginning in January. He does NOT have to wait until May to apply for his Social Security checks.

But there is a bit of a catch. By starting his benefits in January, Ed will be accepting a slightly reduced amount. (Benefits are reduced roughly one-half of 1% for each month they are taken before full retirement age.)

If Ed's Social Security benefit at full retirement age is \$2,500 per month, let's look at his options.

Ed's first option is to wait until May to start his Social Security benefits. He'll get \$2,500 per month for seven months or \$17,500 for the year 2024.

Ed's second option is to file for Social Security in January. Starting his benefits slightly early, his monthly rate is reduced to about \$2,450. That comes out to \$29,400 in total benefits for the year 2024. The downside to option No. 2 is his ongoing monthly benefit rate will be \$50 less than what he would have been getting in option one. But because he'd be getting about \$11,900 less in 2024 benefits in option No. 1, it would take Ed a long time to make up that loss with his extra \$50 per month in ongoing benefits.

Even if Ed was going to make more than the \$59,520 income threshold between January and April, he only loses one dollar in Social Security benefits for each three dollars he exceeds that amount. So, he still might come out ahead by filing in January.

Here is a quick example using that scenario. Let's say Ed will make \$65,000 between January and April. That's \$5,480 over the \$59,520 limit. And one-third of that excess, or \$1,827, must be deducted from his 2024 benefits. But he would still get \$27,573 in benefits for the year. That's still way better than the \$17,500 he would be due by waiting until May to file for his Social Security.

Please note that this strategy generally only works for those who turn full retirement age in early- to mid-2024 and whose earnings prior to reaching FRA are at least close to the \$59,520 limit. In other words, if you will make a lot more than \$59,520 before your full retirement age, or if you reach your FRA later in the year, you should probably just wait until your FRA month to file for your Social Security benefits. I know these rules are complicated and the math in the examples above might be difficult to follow. But my overall message is easy to follow: If you're reaching your full retirement age in early- to mid-2024, you might want to talk to a Social Security representative sometime this month to find out if it's to your advantage to file for your benefits to start in January.

One word of caution. Many readers in the past told me that when they tried to file in January, Social Security Administration representatives told them they could not do so. Sadly, far too many SSA agents are unfamiliar with how these rules work. If you run into the same problem, ask to speak to a supervisor.

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