



How You Can Lose Your U.S. Social Security Retirement Benefits

by Barbara Frew

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[Personal Finance for Overseas Americans:](#)

How to direct your own financial future while living abroad

Given current demographics many Americans, both at home and abroad, are retiring and starting to receive their U.S. social security retirement benefits. If a person retires before reaching what the U.S. Social Security Administration considers full retirement age (65 in 2001 rising to 67 by 2027) the government questions how retired a beneficiary actually is if they opt to work while receiving benefits. The Social Security Administration has determined that beneficiaries living in the United States are not fully retired if they earn more than \$10,680 (in 2001).

When that occurs the Social Security Administration reduces their retirement benefits by one dollar for every two dollars of income they earn above the limit. The limit changes to \$25,000 (in 2001) during the year beneficiaries reach full retirement and they lose one dollar for every three they earn above that limit. Once a beneficiary reaches full retirement age they are considered to be retired and they receive full benefits, regardless of how much income they earn.

Social Security Administration treats Americans living overseas differently. Your benefits can be forfeited, not reduced, by work you perform while receiving benefits before reaching full retirement age. Because earnings levels vary widely from country to country the earnings limits were scrapped. Instead, if you work and pay social security taxes to your host country while receiving U.S. social security retirement benefits you must pass the Social Security Administration's "foreign work test". If you pay U.S. social security taxes while receiving benefits (as is possible if working for a U.S. company or affiliate in certain countries) the foreign work test will not apply to you and you will be treated like a retiree living in the United States.

Put simply, the foreign work test says that you cannot work more than 45 hours a month overseas without losing your entire monthly U.S. social security benefit. The 45-hour limit applies whether you are self-employed, work for someone else, or even if you took leave and did not actually work. Not only do you lose your benefits, but other family members receiving benefits on your record (called the Master Beneficiary Record) lose their benefits as well. (For details see

Social Security Administration Publication No. 05-10137, Social Security Your Payments While You Are Outside The United States.) Once you reach full retirement age you are no longer subject to the foreign work test and can receive your full benefits regardless of how many hours you work.

The foreign work test has an additional facet. Social Security Administration Publication No. 05-10137 states: "A person is considered to be working on any day he or she: ... is the owner or part owner of a trade or business even if he or she does not actually work in the trade or business or receive any income from it." This statement indicates that U.S. citizens who own businesses overseas will lose their social security benefits, whether or not they pay themselves a salary or the business is making money. According to a Social Security Administration spokesperson, the stipulation is not meant to penalize citizens who hold foreign stock as investments. Once you reach full retirement age you can own a business overseas and still receive social security benefits.

Overseas American retirees pay a potentially high cost for working before reaching full retirement age. If U.S. social security benefits will be a significant portion of your retirement income you may not want to work more than 45 hours a month or own a business until after you reach full retirement age. Should you choose to work before reaching full retirement age be sure to seek additional compensation to cover the loss of your U.S. retirement benefits.

To learn more about this and similar financial topics, we recommend:

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As an American living overseas your finances are complicated by U.S. and foreign laws and practices that affect everything from buying insurance to buying mutual funds. To make the financial choices that are best for you, you need information pertinent to your life style. Personal Finance for Overseas Americans provides that information along with sound financial strategies and methods that work for the long term.