If you own and operate a business, are younger than full retirement age and are getting ready to retire, Social Security needs to know whether you will retire completely or whether you still plan to work. If you are at full retirement age or older, you can get all your Social Security benefits whether you retire from your business or not.

When you work for someone else, it is easy to determine whether you are “retired.” Your paycheck tells the whole story. But when you work in a business that you (or your family) own, or you are an officer in a corporation, it is not as simple. Because you may be in a position to control your earnings, you may need to give Social Security more information—such as tax returns or corporate records—when you apply for benefits. This will help us determine your retirement benefit amount. Your earnings must match the work you do. You cannot pay yourself a smaller salary to stay under Social Security’s earnings limits.

**How earnings reduce your Social Security benefit**

Earnings limits may change each year. If you are younger than your full retirement age in 2012, you can earn up to $14,640 without affecting your benefits. For every $2 you earn over this limit, we will withhold $1 in benefits. If you will reach your full retirement age in 2012, your benefits will be reduced by $1 for every $3 you earn over $38,880 until the month you reach full retirement age. When you reach full retirement age, your Social Security benefits will not be reduced no matter how much you earn.

Full retirement age was 65 for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born after 1959. For example, the full retirement age for people born in 1943 through 1954 is 66.

**Are you really retired?**

When you apply for Social Security benefits, there are several situations requiring additional information and evidence to determine your level of retirement. For example, additional questions would be appropriate if you are—

- Involved in a family business and another family member is assuming some, or all, of your duties;
- Continuing to render services for the business at a reduced rate of compensation;
- In a position to control your earnings;
- Still the owner or part-owner of a business and own stock in the business; or
- Splitting wages with others (dividing former salary between you and your spouse or children, for example).

**Additional evidence that may be needed**

In addition to the retirement benefit application, we will ask you to tell us about your retirement plans. We may ask you to complete a *Self-Employment/Corporate Officer Questionnaire* (Form SSA-4184) to provide us with information we need to determine whether you are retired. We also may ask for additional documentation such as personal and business tax returns, corporate resolutions, stock transfer agreements, and resignations. We pay special attention to situations in which your salary has been reduced, but you are compensated through another form of payment. These may include an increase in dividends, an increase in salary to another family member (with no change in responsibility), excessive rent or loan payments, and unexplained business expenses.
What we count as earnings

When you continue receiving compensation, we consider the work you performed and the amount you earned while working and compare it with your work and earnings after “retirement.” We determine the reasonable value of the services you perform for the business, based on the time spent and nature of the services, and compare it to the income you receive. If we decide the value of your services exceeds your income, we must determine a dollar amount for those services and count it against Social Security’s annual earnings limits.

Also, if we determine you are not retired and your earnings have been under-reported, we have the right to adjust your Social Security earnings record. We also may notify the Internal Revenue Service so it can determine whether your tax liability needs adjustment.

An example

The following example describes a situation requiring an extensive interview and documentation, because the person is retiring from a family business or corporation: Mr. Davenport, who is 63 years old, owns and manages a furniture store, and he is about to apply for Social Security benefits. He decides to name his wife as manager, even though he intends to continue to control and manage the business. We will need to compare his earnings to the level of work he performed before he named his wife as manager.

If we learn that his “retirement” is merely a paper transaction transferring earnings to his wife with no reduction in his services, we would adjust his earnings record to reflect his involvement in the business and pay benefits based on that adjusted record. We would remind Mr. Davenport that if he wants to continue to work and receive his Social Security benefits, the amount of his earnings must match the amount of work he does.

Early contact with a Social Security office is important

You should check with Social Security before applying for benefits to make sure you know what documentation you will need. Remember, if you are younger than full retirement age, you have to “retire” to collect “retirement” benefits—or at least significantly reduce your involvement in your business and keep your earnings within the limits explained previously. That will permit us to pay some or all of your Social Security benefits.

Contacting Social Security

For more information and to find copies of our publications, visit our website at www.socialsecurity.gov or call toll-free, 1-800-772-1213 (for the deaf or hard of hearing, call our TTY number, 1-800-325-0778). We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.