

# SOCIAL SECURITY TAXES

## How to lighten the tax burden

Depending on your retirement income, you may be paying tax on over 50% of your Social Security benefits. Here's how it works:

If you are married and file jointly, with a retirement provisional income between:

<b>\$0—\$32K</b>	<b>No tax imposed on your Social Security benefits</b>
<b>\$32K—\$44K:</b>	<b>Up to 50% of your Social Security is taxed</b>
<b>\$44K and up:</b>	<b>50% - 85% of your Social Security benefits are taxed</b>

### What is provisional income?

Your total income, including certain tax-exempt income, used for determining if your Social Security benefits are taxable.

### What constitutes provisional income?

- Pension income
- Interest income
- Tax-exempt benefits
- 50% of Social Security benefits



### Case study:

The following hypothetical case study is based on the Johnson's, a retired married couple. Each partner is over age 65, and they live primarily off of their combined pension income. They have additional assets that count toward their provisional income.

<b>Assets:</b>		<b>Provisional income:</b>	
Pension income:	\$24,000	Pension income:	\$24,000
Dividend income:	\$ 4,000	Taxable income:	\$15,000
Municipal bond income:	\$ 3,000	Social Security benefit:	\$ 5,500
Bank interest CD income:	\$ 8,000	<b>Provisional Income:</b>	<b>\$44,000</b>
Social Security benefit:	\$11,000		

Because your provisional income exceeds the married couples limit of \$44,000, the Johnson's will pay tax on more than 50% of their Social Security benefits.

**Assuming they don't live off of their investments, they would be better off rolling that money into an annuity. Here's why:**

<b>Assets:</b>		<b>Provisional income:</b>	
Pension income:	\$24,000	Pension income:	\$24,000
Annuity income:	\$ 0	Taxable income:	\$ 0
Social Security benefit:	\$11,000	Social Security benefit:	\$ 5,500
		<b>Provisional Income:</b>	<b>\$29,500</b>



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