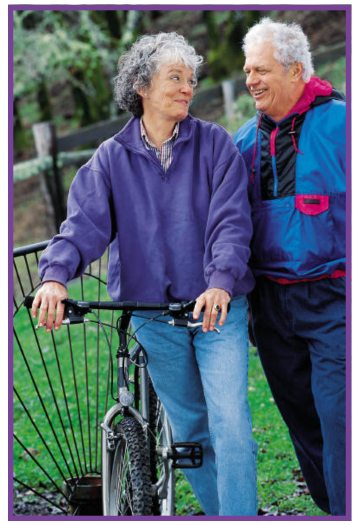
SOCIAL SECURITY TAXES

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:

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



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.

Assets:		**Provisional income:**	
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	**Provisional Income:**	**$44,000**
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:

Assets:		**Provisional income:**	
Pension income:	$24,000	Pension income:	$24,000
Annuity income:	$ 0	Taxable income:	$ 0
Social Security benefit:	$11,000	Social Security benefit:	$ 5,500
		Provisional Income:	**$29,500**

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