TAXATION OF SOCIAL SECURITY BENEFITS

Did you know Social Security benefits have a "hidden" tax?

Most retirees are not even aware that up to 85% of Social Security benefits can be taxed. This "hidden" tax appears when your combined income from all sources, including wages, earned interest, rental income, dividends, tax-exempt income and Social Security benefits, exceeds certain levels.*

By repositioning some of your taxable income sources into annuities, you could realize a tax savings and an increase in your net spendable income.

The tables below identify the income phase-out brackets and the resulting percentage of Social Security benefits that could be taxed. Before the year gets well under way, take immediate action to minimize this year's tax on your Social Security benefits.

Married Filing Jointly

Provisional Income*	Taxed?	Social Security Benefit Taxation
Less than $32,000	no	No benefits taxed
$32,000 to $44,000	yes	Up to 50% of benefits added to taxable income
More than $44,000	yes	Up to 85% of benefits added to taxable income

Single

Provisional Income*	Taxed?	Social Security Benefit Taxation
Less than $25,000	no	No benefits taxed
$25,000 to $34,000	yes	Up to 50% of benefits added to taxable income
More than $34,000	yes	Up to 85% of benefits added to taxable income

* Tax-deferred annuities do not figure into provisional income.

U.S. Social Security Administration, "Benefits Planner: Income Taxes and Your Social Security Benefits," October 2016.

Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact your representative or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

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Annuities are long-term, tax-deferred vehicles designed for retirement. Variable annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½.

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Use this worksheet to determine how much of your income may be taxed.

How much of your Social Security benefits are taxed?	
Step A	
1. Social Security Benefit (current annual amount)	
2. 85% of #1 above (to be used later)	
Step B	
3. Half of your Social Security benefit (#1 above divided by two)	+
4. Plus other sources of annual income Pension ______________ Rental ______________ Dividends ______________ CD Interest ______________ Savings Interest ______________ Other ______________	+
5. Plus tax-exempt income (from municipal bonds and bond funds)	+
6. Total Provisional Income (#3 + #4 + #5)	=
If Total Provisional Income (#6 above) is: • Less than $25,000 for single or less than $32,000 for joint, your Social Security benefits should not be taxable. • $25,000 through $33,999 for single or $32,000 through $43,999 for joint, go to Step C below. • Greater than or equal to $34,000 for single or greater than or equal to $44,000 for joint, go to Step D below.	
Step C	
7C. Total Provisional Income (#6 from above)	
8C. Minus Base Allowance ($25,000 single/$32,000 joint)	–
9C. Excess income	=
10C. Half of your excess income (#9C above divided by two)	
11C. Social Security to be taxed (The lesser of: #3 above or #10C above)	
12C. Go to Step E	
Step D	
7D. Total Provisional Income (#6 from above)	
8D. Minus Base Allowance ($34,000 single/$44,000 joint)	–
9D. Subtotal	=
10D. 85% of #9D above	
11D. Plus the lesser of: #3 above or $4,500 single/$6,000 joint	+
12D. Excess income	=
13D. Social Security to be taxed (The lesser of: #2 above or #12D above)	
14D. Go to Step E	
Step E	
Potential Income Tax Savings A) Multiply your tax bracket_____% by the amount from 11C or 13D $___________= $___________amount you could save in income taxes! B) Take income tax amount from 11C or 13D ($____________) and divide by reasonable current interest rate (____%) to determine asset value that needs to be repositioned to reduce next year's income tax $________________________________.	

Call your representative today for more information.

Content on this page is our summarization of information from IRS Publication 915, December 19, 2016.

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