



How to Stop Taxing Social Security Income



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WHY PAY TAX ON INCOME YOU DON'T SPEND?

Many retirees today automatically reinvest their taxable investment earnings back into the same savings vehicle that produced the income without ever using the money. This may cause you to take money from your monthly retirement checks to pay the tax on money you never spend!

Deferred Annuities may help in reducing this tax. Interest is automatically reinvested to earn more interest but the income is not currently taxable. This may stop the tax against your monthly retirement checks providing you more income to spend. See example below:

Fig D	W/O Annuity	W/Annuity
Pension	\$19,200	\$19,200
Social Security	<u>11,400</u>	<u>11,400</u>
Total retirement inc	\$30,600	\$30,600
Less taxes	<u>6,289</u>	<u>1,253</u>
Income to spend	\$24,311	\$29,347

Tax Advantaged Income

The Deferred Annuity offers tax advantages when you want to start drawing from your funds. You decide when to start receiving your funds and for how long. Payments can be made for a specific number of years and even paid out over your Lifetime. Income that you can never outlive!



DISCLAIMER:

This brochure provides examples of the advantages of Tax Deferred Annuities. Annuities are not Certificates of Deposits and are not insured by FDIC. The information is not intended to offer investments or to give tax and legal advice. Your financial advisor can help you determine if your own personal situation allows for future tax savings.

The source of the information was taken from the Social Security Administration website: www.ssa.gov (Understand the Benefits) and examples provided by Multimedia Presentation Systems.

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Potentially Save Thousands of Dollars in Taxes!

New Tax Law

President Bush signed into law the Economic Growth and Tax Relief Reconciliation Act of 2001. It is the first income tax cut since 1986. Tax rates went down retroactively beginning January 1st of 2001 and will continue to decline until the year 2006.

Tax rates for 2003 are as follows:

TAX RATES FOR 2003		
Single		Married
\$0 - \$6,000	10%	\$0 - \$12,000
6,000 to 27,950	15%	12,000 to 46,700
27,950 to 67,700	27%	46,700 to 112,850
67,700 to 141,250	30%	112,850 to 171,250
141,250 to 307,050	35%	171,250 to 307,050
307,050...	38.6	...307,050



EARN MORE ON YOUR SAVINGS

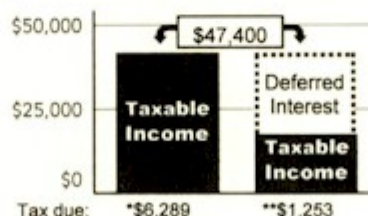
You can earn more on your savings while you save on your taxes by switching your savings to Tax Deferred Annuities! It could make a big difference in the current amount of taxes you pay. For example, let's say you earned the following annual income:



Pension: \$19,200
 Social Security 11,400
 Taxable interest 16,800
 Total Income \$47,400

If Taxable Interest (\$16,800) was deferred instead of taxed, the tax amount would be reduced, even though the earnings are the same (\$47,400). (See Fig. A below). Potential tax savings of **\$5,036!**

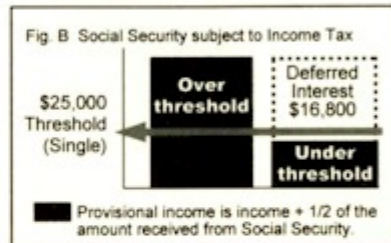
Fig.A Taxable Income vs. Deferred Interest



*Includes tax on Social Security. ** Based on 2002 tax year, single, age 65 or over using standard deduction and one personal exemption. Assumes deferred interest or return rate is the same as taxable rate. Also assumes deferred interest remains deferred with no cash withdrawals. Non-Qualified funds are only used for this example.

THE TAXING OF SOCIAL SECURITY BENEFITS

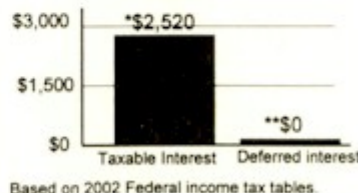
Figure B shows how Social Security is subject to tax when provisional income is over \$25,000. The Deferred Annuity shows a much different story. Deferred interest is not counted as provisional income which puts you under the threshold. (See arrow below):



STOPPING THE TAX ON SOCIAL SECURITY

The taxable interest of \$16,800 would cause \$9,690 of the \$11,400 received from Social Security to be taxed. Thus creating an

Fig.C Taxing of Social Security Benefits



additional tax of \$2,520. If Taxable interest (\$16,800) is deferred instead of taxed, provisional income would fall below the threshold (See Fig. B) and stop the tax of \$2,520 on Social Security Benefits! (See Fig. C)