

Minimize taxation of social security income with Annuities

In 1983 Congress legislated that up to 50% of Social Security could be taxed when combined income from all sources exceeded threshold limits. Surprisingly or not in 1993 the law was amended again allowing up to 85% of social security income to be taxed under certain conditions.

Social Security Income Threshold Limits

If income (including 1/2 of social security), exceeds the following thresholds, up to 85% of the amount received from social security could be subject to the tax.

If you are single with income between \$25,000 and \$34,000 up to 50% of your social security is taxable. Income in excess of \$34,000 results in 85% of your social security income subject to tax.

For couples with income between \$32,000 and \$44,000 up to 50% of social security income is taxable. Income over \$44,000 results in 85% of your social security income subject to tax.

Almost every type of earnings, dividends, or interest is included as social security threshold income except for one. A tax deferred annuity is the only producing asset that allows interest to grow without being included as Threshold Income!

Base amount of Modified Adjusted Gross Income that results in social security income to be taxable is:

Married filing jointly to \$32,000 = 50% taxable

Married filing jointly to \$44,000 = 85% taxable

Filing single to \$25,000 = 50% taxable

Filing single to \$34,000 = 85% taxable

The maximum earnings before social security benefits are reduced

Under age 65 = \$11,640

Over age 65 = No limit