How Tax Deferred Annuities Can Help

Although tax exempt income is included in calculating your provisional income, a tax deferred Annuity can help reduce taxes on your Senior benefits.

Income that is left to accumulate inside a tax deferred annuity does not appear on your tax return and is not used in calculating your total income.

Therefore, moving money from a taxable investment to a tax deferred annuity can help reduce taxes on Senior benefits.

You can possibly ***pay no tax at all*** on your Senior benefits if you shelter enough income inside a tax deferred annuity and your other income is below the base amount threshold.

If your investments are generating taxable income, that income is counted when determining how much of your Senior benefits are taxed. Earnings that grow tax deferred inside an annuity are not counted toward your provisional income.

Annuity earnings will become taxable income when you withdraw them. Make sure you don't immediately need the income before moving to a tax deferred annuity. Withdrawals in the early years could also incur surrender penalties.

If you would like more understanding on how to help reduce taxes on your Senior benefits, please contact us at your convenience.

Provisional Income Thresholds:

	Income	Percentage of Senior Benefits Taxable
Single, Head of Household, Qualifying Widower and Married Filing Separately (where the spouses lived apart the entire year)	Below $25,000	All Senior benefit income is tax-free
	$25,000 - $34,000	Up to 50% of Senior benefit income may be taxable
	$34,000 and up	Up to 85% of Senior benefits may be taxable
Married Filing Jointly	Below $32,000	All Senior benefit income is tax-free
	$32,000 - $44,000	Up to 50% of Senior benefit income may be taxable
	$44,000 and up	Up to 85% of Senior benefits may be taxable

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New Retirement Changes and Benefits

New Government Changes and Benefits for Seniors

Monthly Social Security and Supplemental Security Income (SSI) benefits will increase 0.3 percent in 2017. The 0.3 percent cost-of-living adjustment (COLA) will begin with benefits payable to more than 60 million Social Security beneficiaries in January 2017. Increased payments to more than 8 million SSI beneficiaries will begin on December 30, 2016.

The Social Security earnings limit for people turning 66 in 2016 will be $44,880 (up $3,000 from last year). $1 in benefits is deducted for each $3 earned over the limit. There is no limit on earnings for workers who are at full retirement age for the entire year.

Full retirement is age 66 for people born in 1943 through 1954.

The earnings limit for workers younger than full retirement age is $16,920. $1 in benefits is deducted for each $2 earned over the earnings limit.

In addition to receiving extra payment each month, you may now earn more income without offsetting your benefits because the earnings test cut-off also increased.

Based on the increase in average wages, the maximum amount of earnings subject to Senior benefit tax is $127,200.

The maximum Social Security benefit for workers retiring at full retirement age is $2,687/month (up from the $2,689 in 2016).

Electronic Payments

As of March 1, 2013, the Department of the Treasury phased out mailing federal benefit payments for anyone currently receiving paper checks.

Anyone currently applying for Senior benefits will receive payments electronically.

If you collect Senior benefits, a portion of it may be taxable, depending on your total income and marital status.

Provisional Income

The fastest rising source of tax revenue for our government is taxation of Senior benefits.

This tax is not inflation-indexed, which means more retirees at lower levels of income will be sending part of their Senior benefits back to the government.

To understand how to help reduce taxes on your Senior benefits, you must first know what the government calls your provisional income.

The government defines provisional income as your total income, including tax exempt income, plus half of your Senior benefits.

Tax exempt income includes interest on tax exempt bonds. Disability and survivor benefits are also included.

If your provisional income is less than a base amount shown on the back panel, then your Senior benefits are not taxed at all.

If your provisional income is between the base amount and the adjusted amount, then half of your Senior benefits are taxable.

If your provisional income is over the adjusted amount, then 85% of your Senior benefits are taxable. The taxable portion of your Senior benefits cannot exceed 85% of your total benefits. The base and adjusted amounts are different for single taxpayers, married taxpayers filing jointly and married taxpayers filing separately but living together.

Office Hours

Due to budget cuts, Senior benefit office hours are now 9:00 am - 3:00 pm and 9:00 am to noon on Wednesdays.