TAX SAVVY

Help avoid the Social Security tax trap

corebridge financial

You've paid into Social Security all your working life. Do you have to pay federal income taxes on your benefits too? Not necessarily. With the tax deferral in an annuity, you not only have the potential for long-term growth, but you may also reduce the amount of your current taxable income.

How much of your Social Security benefits could be taxed?

As much as 85% of your Social Security benefit could be subject to federal income tax.[1] What's more, the formula to determine taxable Social Security income includes tax-exempt income, such as that from municipal bonds and qualified U.S. Savings Bonds. Here's how it works:

Adjusted Gross Income (pensions, wages, dividends, savings interest) **+** **Tax-exempt income** **+** **50% of annual Social Security benefits**

= Provisional Income used to determine taxable amount

If Provisional Income is between:

$25,000–$34,000 for **single** persons or
$32,000–$44,000 for **married** couples filing jointly, then...

Up to 50%
of Social Security benefit is subject to tax[1]

If Provisional Income is greater than:

$34,000 for **single** persons or
$44,000 for **married** couples filing jointly, then...

Up to 85%
of Social Security benefit is subject to tax[1]

From taxable income to tax-deferred income

Because earnings in an annuity are generally tax-deferred, your earnings (until withdrawn) are not included in the formula used to determine the amount of Social Security income that is subject to federal income tax. If you have non-qualified assets that are generating taxable or tax-exempt income that is not needed to meet your current financial needs, you may want to ask your financial or tax professional about reallocating the assets to a deferred annuity in order to help reduce the extent to which your Social Security benefits are taxed.

This material is intended only for educational purposes to help you, with the guidance of your financial professional, make informed decisions.

[1]Based on Internal Revenue Service Publication 915, 2021.

See where you stand

To determine if any of your Social Security benefits may be taxable, use the blank worksheet on the opposite page.[2] You can follow the example below as a guide.

Sample worksheet

1.	Enter Adjusted Gross Income (includes pensions, dividends, wages, and savings interest)	$40,000
2.	Enter tax-exempt income[3]	500
3.	Enter projected annual Social Security benefits	16,000
4.	Enter 50% of annual Social Security benefits	8,000
5.	Add lines 1, 2 & 4	48,500
6.	Enter $25,000 ($32,000 if married filing jointly; $0 if married filing separately and spouses have lived together at any time during the year)	25,000
7.	Subtract line 6 from line 5. If zero or less, enter "0" Note: If line 7 is zero or less, none of your benefits are taxable. If greater than zero, you may want to shelter this amount to avoid taxation of benefits.	23,500
8.	Enter $9,000 ($12,000 if married filing jointly; $0 if married filing separately and spouses have lived together at any time during the year)	9,000
9.	Subtract line 8 from line 7. If zero or less, enter "0"	14,500
10.	Enter the smaller number of line 7 or 8	9,000
11.	Enter 50% of line 10	4,500
12.	Enter the smaller number of line 4 or 11	4,500
13.	Multiply line 9 by 85% (.85). If line 9 is zero, enter "0"	12,325
14.	Add lines 12 and 13	16,825
15.	Multiply line 3 by 85% (.85)	13,600
16.	**Taxable portion of benefit.** Enter the smaller number of line 14 or 15	$13,600

This sample illustrates some of the information available through the IRS Publication 915—please refer to that publication or your tax advisor to assess your own personal situation more completely.

[2] Based on Internal Revenue Service Publication 915, 2021.

[3] "Tax-exempt income" includes exclusions or adjustments to income, examples of which include interest on qualified U.S. Savings Bonds, adoption benefits, foreign earned income and qualified tuition expenses. See Publication 915 for a more comprehensive list.

Worksheet

1.	Enter Adjusted Gross Income (includes pensions, dividends, wages, and savings interest)	$
2.	Enter tax-exempt income[3]	$
3.	Enter projected annual Social Security benefits	$
4.	Enter 50% of annual Social Security benefits	$
5.	Add lines 1, 2 & 4	$
6.	Enter $25,000 ($32,000 if married filing jointly; $0 if married filing separately and spouses have lived together at any time during the year)	$
7.	Subtract line 6 from line 5. If zero or less, enter "0" Note: If line 7 is zero or less, none of your benefits are taxable. If greater than zero, you may want to shelter this amount to avoid taxation of benefits.	$
8.	Enter $9,000 ($12,000 if married filing jointly; $0 if married filing separately and spouses have lived together at any time during the year)	$
9.	Subtract line 8 from line 7. If zero or less, enter "0"	$
10.	Enter the smaller number of line 7 or 8	$
11.	Enter 50% of line 10	$
12.	Enter the smaller number of line 4 or 11	$
13.	Multiply line 9 by 85% (.85). If line 9 is zero, enter "0"	$
14.	Add lines 12 and 13	$
15.	Multiply line 3 by 85% (.85)	$
16.	**Taxable portion of benefit.** Enter the smaller number of line 14 or 15	$

To learn more about avoiding the Social Security tax "trap," talk to your financial and tax professionals today.

Help avoid the Social Security tax trap

An annuity offers tax deferral, which can be a helpful tool for reducing your Provisional Income and consequently, the amount of your Social Security benefits that may be taxed.* In the growth stage, annuities can help build assets on a tax-deferred basis. In the income stage, they can provide guaranteed lifetime income though standard or optional features. Annuities can also provide valuable protection for beneficiaries through standard or optional features.

Guarantees are backed by the claims-paying ability of the issuing insurance company. Optional protection features, including enhanced death benefits and income protection features, are subject to additional fees, restrictions and limitations.

Why expose your Social Security benefits to federal income tax unnecessarily?
Ask your financial professional and tax advisor if an annuity may make sense for your situation.

*Keep in mind, withdrawals of taxable amounts from tax-deferred products, such as an annuity, are subject to ordinary income tax and if taken prior to age 59½, an additional 10% federal tax may apply. Taxable amounts would also be included in the calculation of Provisional Income.

This material is general in nature, was developed for educational use only, and is not intended to provide financial, legal, fiduciary, accounting or tax advice, nor is it intended to make any recommendations. Applicable laws and regulations are complex and subject to change. Please consult with your financial professional regarding your situation. For legal, accounting or tax advice consult the appropriate professional.

All contract and optional benefit guarantees, including annuity rates, are backed by the claims-paying ability of the issuing insurer. They are not backed by the broker/dealer from which this annuity is purchased. The purchase of an annuity is not required for, and is not a term of, the provision of any banking service or activity.

Annuities are long-term insurance products designed for retirement. Variable annuities are subject to insurance-related charges including a separate account fee, administrative fees, the expenses associated with the underlying funds, and the fees for any optional features elected. Early withdrawals may be subject to withdrawal charges. With certain variable annuities, a premium based charge may also apply. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to 59½, an additional 10% federal tax may apply. Investment involves risk, including the possible loss of principal. The contract, when redeemed, may be worth more or less than the total amount invested. If you're planning to fund your IRA with an annuity, you should know that these retirement accounts are already tax-deferred. You should only use an annuity in a retirement account if you want to benefit from features other than tax deferral.

Variable annuities are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges, expenses and other information regarding the contract and underlying funds, which should be considered carefully before investing. Please contact your financial professional or call 1-800-445-7862 to obtain a prospectus. Please read the prospectus carefully before investing.

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