return and is not used in calculating your combined income.

Therefore, moving money from a taxable investment to a non-qualified tax deferred annuity may help reduce taxes on Social Security benefits if you do not need to take any withdrawals from the annuity.

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

Keep in mind, any transaction that involves a recommendation about funds held in a security product used to purchase an annuity can be conducted only by individuals currently affiliated with a properly registered broker/dealer, or registered investment advisor.

Fixed annuities are designed to meet long-term needs for retirement income. They provide guarantees against the loss of principal and credited interest, and the reassurance of a death benefit for beneficiaries.

Any distributions are subject to ordinary income tax and, if taken prior to age 59 ½, a 10% additional federal tax.

Not affiliated with the US government or a governmental agency.

Combined Income Thresholds

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

Source: Social Security and Equivalent Railroad Retirement Benefits, Publication 915, January 04, 2012

This brochure is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that representative Joyce Palmer does not give legal or tax advice. We encourage you to consult your tax advisor or attorney.

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Social Security Changes and Benefits

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Updated Social Security Changes and Benefits

Congress has legislated increases in Social Security payments based on increases in the Consumer Price Index.

If you receive monthly Social Security payments, you received a 1.7 percent cost-of-living adjustment which began with your December, 2012 benefits paid in January, 2013.

The Social Security Act specifies cost-of-living increases are based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers calculated by the Bureau of Labor Statistics.

In 2012, the cost-of-living payment adjustment was 3.6%.

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

The earnings limit for people attaining full retirement age in 2013 will be $40,080 (up from $38,880 in 2012). Social Security benefits are reduced by $1 for each $3 earned over $40,080 until the month the worker turns 66. There is no limit on earnings for workers who are at full retirement age for the entire year.

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

The earnings limit for workers younger than full retirement age for all of 2013 is $15,120 (up from $14,640 in 2012). Social Security benefits are reduced by $1 for each $2 earned over $15,120.

Based on the increase in average wages, the maximum amount of earnings subject to Social Security tax in 2013 increased to $113,700 (from $110,110).

Electronic Payments

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

Anyone currently applying for Social Security benefits will receive payments electronically.

Taxable Social Security Benefits

If you collect Social Security benefits, a portion of it may be taxable, depending on your total income and marital status. As your income increases, so does the portion of your Social Security benefits that is subject to tax.

Combined Income

(Also called Provisional Income)

To understand how to reduce taxes on your Social Security benefits, you must first know what the government calls your combined (also called provisional) income.

The government defines combined income as your total income, including tax exempt income, plus half of your Social Security benefits.

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

If your combined income is less than the base amount shown on the back panel, then your Social Security benefits are not taxed at all.

If your combined income is between the base amount and the adjusted amount, then up to half of your Social Security benefits are taxable.

If your combined income is over the adjusted amount, then up to 85% of your Social Security benefits are taxable. The taxable portion of your Social Security benefits cannot exceed 85% of your total benefits.

How Tax Deferred Fixed Annuities Can Help

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

Income that is left to accumulate inside a non-qualified tax deferred annuity does not appear on your tax