

Reduce taxes

with Deferred Annuities

You've worked hard to save and prepare for your retirement years. However, have you examined the impact that federal taxes may have on your retirement income distributions, including your Social Security benefits? Many don't realize that *up to 85%* of a Social Security benefit is taxable. The higher your gross income is, the more likely that a greater percent of your Social Security benefit will be included as taxable income.

To help ease the impact of federal taxes, consider taking advantage of tax-deferred solutions, such as annuities. Because, unlike taxable investments (e.g., CDs, bonds, checking accounts, money market accounts, etc.), you don't pay tax on the interest earned on deferred annuities¹ until you withdraw the money.² *Allowing your savings to accumulate faster!*

HYPOTHETICAL CLIENT EXAMPLE

Let's compare the tax calculation³ for two married couples. Both couples have a net worth of approximately one million dollars to invest. The Nelsons do not take advantage of tax-deferred growth opportunities and invest in taxable investments. The Schneiders take advantage of tax-deferred growth opportunities by purchasing an annuity.

	NELSONS	SCHNEIDERS
Income from Qualified Retirement Plan	\$40,000	\$40,000
Taxable Investment Income	\$40,000	\$0
Deferred Annuity Interest	\$0	\$40,000
Social Security Benefit	\$32,400	\$32,400
Social Security Taxable Portion	\$27,540	\$16,370
Adjusted Gross Income	\$107,540	\$56,370
Standard Deduction	\$11,400	\$11,400
Exemptions	\$6,100	\$6,100
Taxable Income	\$90,040	\$38,870
Federal Tax Rate	25%	15%
Federal Income Tax Owed ⁴	\$22,510	\$5,830
<i>Tax on Social Security⁵</i>	<i>\$6,887</i>	<i>\$2,370</i>

The table calculations are based on the 2003 tax laws.