

SOCIAL SECURITY BENEFITS
& YOUR TAXES



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HOW ARE YOUR BENEFITS TAXED?

If you're like many of our clients who are planning for their retirement or currently retired, you're probably counting on your Social Security benefits to make up a meaningful part of your income.

But what you might not know is some of your Social Security benefits can be taxed by the federal government – and that should factor into your planning, so you know you have enough money to support the retirement of your dreams. Some states do have their own taxes on Social Security income, but we can focus on potential federal taxes.



The first step in figuring out how much you might pay in federal taxes on your Social Security income is to determine your “combined income,” or how much money you'll get each year in retirement from all sources.

Your combined income is your monthly Social Security benefits multiplied by 12 to give you an annual amount, and divide that number in half. Then, add in your anticipated annual income from your pensions, ordinary dividends, interest, capital gains distributions, and wages.

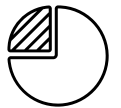
So, let's say you are going to receive the typical annual Social Security benefit of \$16,000 per year, and you also have \$20,000 annually in a pension and dividends. You would divide your Social Security benefits in half and add all of your other income together to get \$28,000 in combined income.

Once you have your combined income, you can check to see how much of your benefits might be subject to federal income tax.

If you file an individual tax return:



- You don't owe federal income tax on your Social Security if your combined income is \$25,000 or less.
- You may owe federal income tax on up to 50% of your benefits if your combined income is between \$25,000 and \$32,000.
- If your combined income is more than \$32,000, you may owe federal income tax on up to 85% of your benefits.



If you file a joint tax return:

- If your combined income together is between \$32,000 and \$44,000, you may owe federal income tax on up to 50% of your benefits.
- If you have more than \$44,000 of combined income together, you may owe federal income tax on up to 85% of your benefits.

The IRS has a helpful one-page worksheet to help you see if your Social Security benefits are taxable, as well as a very detailed guide to Social Security benefits.

We know this is complicated. It can be even trickier for some people with complex tax considerations. That's why our team of professionals is here to help you plan for your retirement with maximum income and minimal stress. Give us a call if you have any questions or concerns!



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