A Deferred Annuity Can Reduce Income Taxes on Social Security Benefits

Software shows how deferred annuities can reduce taxes on Social Security income while offering a safe, stable place to grow retirement savings.

Medford, OR (PRWEB) January 10, 2008 -- AnnuityAdvantage.com announced today that it has acquired software that can analyze an individual's financial position and offer tax-savings recommendations. This new software pinpoints the tax-savings strategy of buying a deferred annuity for those receiving Social Security benefits.

Those receiving Social Security know that, depending on their earnings, they are responsible for paying income taxes on a portion of their benefits. The IRS adds half of an individual's Social Security benefits plus all other income (such as pensions, CD/bond interest or capital gains) to calculate the income taxes owed. For 2007, the nontaxable threshold for total adjusted income was $25,000 for a single person and $32,000 for those who are married, filing jointly. Those who exceed this threshold will be required to pay income tax on 50-85% of the amount of their Social Security benefits that goes over the threshold.

For a single individual, 50% of Social Security benefits are taxed when adjusted income is between $25,000 and $34,000. Amounts above $34,000 are 85% taxable.

For joint filers, 50% of Social Security benefits are taxed when adjusted incomes are between $32,000 and $44,000. Amounts above $44,000 are 85% taxable.

"Income tax on Social Security benefits can reduce an already-small amount of monthly benefits," says Ken Nuss, CEO of AnnuityAdvantage.com, an annuity shopping and comparison service. "By moving liquid investment funds into a deferred annuity, retirees may be able reduce or eliminate taxes on Social Security income. An added bonus is that deferred fixed annuities are a safe, stable way to reap tax-deferred growth on savings."

A deferred fixed annuity, which is a contract between an insurance company and an individual, offers a favorable interest rate for a set term. For example, a premium deposit of $100,000 moved into a 10-year annuity, with a guaranteed interest rate of 5.10%, will result in $164,447 at the end of the annuity's 10-year guarantee period. Deferred fixed annuities are backed by the full faith and credit of the issuing insurance company.

Savings products such as bank CDs, savings accounts and money market accounts are safe and earn interest; however, a consumer has to pay taxes on his or her interest earnings yearly. Annuity interest earnings, however, are tax-deferred until withdrawn. By moving fully-liquid savings accounts, CDs or money market accounts into annuities, a person can take a portion of their portfolio that produces taxable interest earnings and turn it into tax-deferred savings. With that usually-taxable portion of money locked away in an annuity, an individual's adjusted income is lowered, which leads to the possible reduction or elimination of the taxation of Social Security benefits.

"These days, retirees and near-retirees should first be vigilantly looking for ways to maximize their income. They also have to be sure that there is little risk of losing their savings," explains Nuss. "Buying a fixed deferred annuity can help seniors achieve these two goals."

AnnuityAdvantage.com's new Social Security tax analysis software assesses Social Security income, other sources of income and liquid savings to determine whether or not purchasing an annuity will save an individual from paying undue taxes on his or her Social Security income.

Those interested in learning more about how deferred annuities may help reduce personal federal income taxes should call 1-800-239-0356 or visit http://www.annuityadvantage.com. AnnuityAvantage.com also offers a free personalized Social Security tax analysis to aid consumers in determining the suitability of a deferred annuity for their individual financial situation.

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