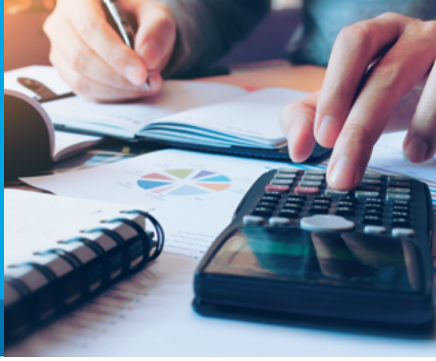
Avoid the Social Security Tax Trap



TAX SAVVY

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 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 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Because earnings in an annuity are generally tax-deferred, your earnings (until withdrawn) are not included in the formula used to determine the amount of Social Security income that is subject to federal income tax.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 consider moving 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. We do not provide investment advice or recommendations.

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[1]Based on Internal Revenue Service Publication 915, 2017.

A Taxing Situation

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 this document or your tax professional to assess your own personal situation more completely.

[2]Based on Internal Revenue Service Publication 915, 2017.
[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. <u>If greater than zero, you may want to shelter this amount to avoid taxation of benefits.</u>	
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!

Avoid the **Social Security Tax Trap**

Why Expose Your Social Security Benefits to Federal Income Tax Unnecessarily?

An annuity can help reduce the amount of Social Security benefits that are included in taxable income. In the accumulation phase, annuities can help build assets on a tax-deferred basis. In the income phase, they can provide guaranteed income though standard or optional features. Annuities can also provide valuable protection for beneficiaries through standard or optional features.

Guarantees are backed by the claim's 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.

An annuity can help reduce your taxable income while providing you with long-term growth potential and valuable protection benefits.

PLEASE NOTE: Federal and state income tax laws are complex and subject to change. This material was prepared to support the marketing of annuities and life insurance products issued by American General Life Insurance Company (AGL) and The United States Life Insurance Company in the City of New York (US Life). Please keep in mind that AGL, US Life, and their distributors and representatives may not give tax, accounting or legal advice. Any tax statements in this material are not intended to suggest the avoidance of U.S. federal, state or local tax penalties. Such discussions generally are based upon the company's understanding of current tax rules and interpretations. Tax laws are subject to legislative modification, and while many such modifications will have only a prospective application, it is important to recognize that a change could have retroactive effect as well.

All contract and optional benefit guarantees, including any fixed account crediting rates or annuity rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased.

Annuities are long-term products designed for retirement purposes. 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 or 401(k) with an annuity, you should know that these retirement accounts are already tax-deferred. You should only use an annuity in a retirement plan or account if you want to benefit from features other than tax deferral. Please consult with your financial and tax professionals for more information regarding your individual situation. Products and features may vary by state and may not be available in all states. The purchase of an annuity is not required for, and is not a term of, the provision of any banking service or activity.

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.

Annuities are issued by **American General Life Insurance Company** (AGL), Houston, TX, except in New York, where they are issued by **The United States Life Insurance Company in the City of New York** (US Life). **Variable annuities are distributed by AIG Capital Services, Inc.** (ACS), Member FINRA, 21650 Oxnard Street, Suite 750, Woodland Hills, CA 91367-4997, 1-800-445-7862. AGL, US Life, and ACS are members of American International Group, Inc. (AIG).

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