

2-BIG MATTERS: SOCIAL SECURITY & INCOME TAXES

Over 61% of today's qualified retirees, according to AP/FOX NEWS, consider their monthly Social Security pension checks the major source of their income. This was generally accepted 20 years ago. But since then, our Government has tried, though unsuccessfully it appears, to get everyone to consider Social Security money as a supporting income source to your company's pension/401K program.

Why, you ask? Unless Congress puts a huge amount of money (in the billion dollar range) into Social Security's Trust fund within the next few years, it's administration has printed on everyone's Social Security Annual Statement on the front page under the paragraph "the future of Social Security"; Social Security will become insolvent by 2033. After that, we can assume whatever the workforce pays in taxes to Social Security each year; we retirees will get an 80 millionth cut of it.

AP/FOX NEWS also came out with a recent article saying; "People retiring today are part of the 1st generation of workers who have paid more in Social Security taxes during their careers than they will receive in benefits after they retire." The assurance of Social Security, unfortunately, is crumbling...

Back in 1978 when the 401K tax-deferred pension program was created by Congress, it was promoted when you retired; your income then would drop down to a lower tax-bracket and you would pay less taxes then. But look at how tax-brackets are structured today in large spreads in income:

Single Filers) 15% bracket: incomes of \$8,926 to 36,250 (27,324 spread); 25% bracket: incomes of \$36,251 to 87,850 (51,599 spread); 28% bracket: incomes of \$87,851 to 183,250 (95,399 spread)
Married Jointly filers) 15% bracket: incomes of \$17,851 to 72,500 (54,649 spread); 25% bracket: incomes of \$72,501 to 146,400 (73,899 spread); 28% bracket: incomes of \$146,401 to 223,050 (76,649 spread).

These numbers represent "gross earning dollars" not after taxed dollars. If you have a fair amount of funding in your company pension or 401K type program, that will provide possibly in the 70% to 80% income range in retirement of what you earn as a worker, your income will likely not drop down enough to escape your present working tax-bracket!

If your retiring gross income doesn't drop you down a tax-bracket, and those income taxes & annuitizing costs do their reductions on your pension money before it reaches your pocket each month, I feel you are likely to join that later group of retirees who still consider their Social Security checks the big breadwinner! Then what assurances do you have that Social Security lasts after 2033 and your lifetime?

Call me for some answers & advice: David Keeling, FICF, CSA, Council Field Agent ph# (909) 824-1024