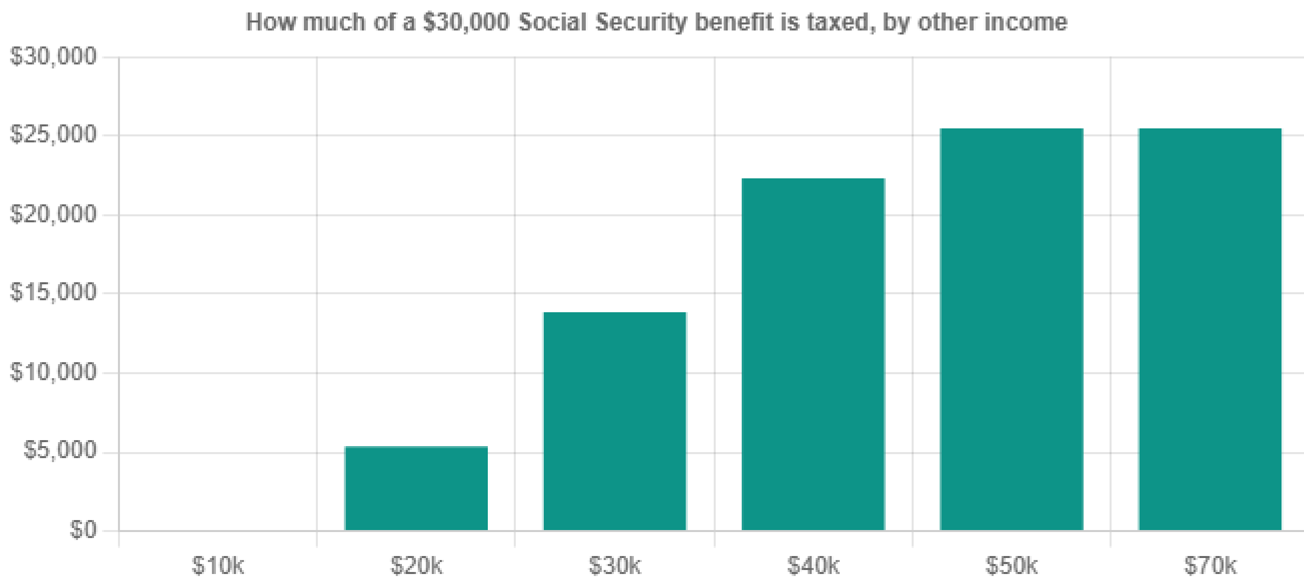
AssetBaseline

VISUAL

How Social Security Gets Taxed

> Whether your Social Security is taxed, and how much, depends entirely on your other income. This chart shows the taxable portion climbing.

Many retirees are surprised that Social Security can be taxed at all, and even more surprised by how much it depends on their other income. The more you draw from pensions and retirement accounts, the more of your benefit becomes taxable, up to a cap of 85 percent. This chart makes the climb visible.



Other income	Taxable benefit	Share taxed
$10,000	$0	0%
$20,000	$5,350	17.8%
$30,000	$13,850	46.2%
$40,000	$22,350	74.5%
$50,000	$25,500	85%
$70,000	$25,500	85%

Reading the chart

Each bar shows how much of a fixed Social Security benefit becomes taxable at that level of other income, for a single filer. At low other income, none of the benefit is taxed. As other income rises past the thresholds, the taxable portion climbs, until it hits the 85 percent ceiling.

The key figure is provisional income, your other income plus half your benefit. Below 25,000 dollars none of the benefit is taxed; above 34,000 up to 85 percent is. Slide the benefit amount to see the whole set of bars shift. It is your other income, not the benefit itself, that drives how much is taxed.

Why it matters for planning

Because the tax depends on your other income, you have some control over it. Roth withdrawals do not count toward provisional income, so drawing from a Roth instead of a traditional account, or converting to Roth before you claim, can lower how much of your benefit is taxed.

The thresholds have not changed since the 1980s and 1990s and are not indexed for inflation, so each year more retirees cross them. Planning the timing and source of your withdrawals, using the Social Security Tax calculator, can keep more of your benefit in your pocket.

> **Key takeaway.** Your other income, not the benefit itself, decides how much of your Social Security is taxed. Managing the source and timing of withdrawals can lower the bite.

Assumptions

- The taxable portion follows the provisional-income rules: other income plus half the benefit, compared against the statutory single-filer thresholds of 25,000 and 34,000 dollars.
- Up to 85 percent of the benefit is ever taxable. The taxable amount is then taxed at your regular rate, which this does not compute.

Sources

- IRS, Social Security and equivalent railroad retirement benefits (Pub. 915)