

Friday, August 21, 2020

Financial Fact Friday:

Forgetting about Social Security taxes could hurt you!

Even though you've been paying into the Social Security program for years, Uncle Sam will still try to take a chunk of your benefits through state and federal taxes. Whether you'll owe state taxes on your benefits depends on where you live because each state has slightly different laws.

Some states won't tax your benefits at all, while others may provide exemptions depending on your income.

For federal taxes, how much you'll owe will depend on your "combined income," which is half your annual benefit amount plus your other sources of income (excluding Roth IRA withdrawals). If you have a combined income of more than \$34,000 per year (or \$44,000 per year for married couples filing jointly), you'll owe federal taxes on up to 85% of your benefits. While you may not be able to avoid taxes on your benefits, you can do your best to plan for them so you're not taken by surprise once you retire.

(Source: Fool)

<https://www.fool.com/retirement/2020/08/02/3-ways-you-can-lose-your-social-security-benefits.aspx>