

# SAFE MONEY THOUGHTS – BENEFITS OF FIXED ANNUITIES



Are your clients looking for safe money solutions in uncertain times? Specific periods in financial history create a need for a safe space for our clients to turn to in order to protect their financial future. Uncertainty in equity markets, uncertainty in the interest rate market, and the need for tax savings is creating the perfect storm for clients looking for a safe money solution. Guaranteed options within the fixed annuity space are a great solution to these issues and American National can help you provide safe money solutions to your clients.

The foundation of this solution lies within the **STYLE** of features and benefits of a fixed annuity. The **S**afety of the insurance company that you are using, and in the 117-year history of American National. The **T**ax-deferred status of the product that allows the principal to grow, the interest to grow, as well as any taxes that would be paid to grow. The increased product **Y**ield an insurance company can provide from purchasing underlying investments on a larger scale than individuals. **L**iquidity features that allow clients to have greater access to their money. And finally, the **E**state planning piece that allows a client's beneficiaries to bypass probate of the asset. These benefits allow your clients access to the safety and security they are looking for in these trying times, especially as many more people face retirement.

With approximately 72 million baby boomers and 66 million of those drawing social security, we are faced with a growing population of retirees that are moving into a much more conservative stage of their financial future. Often a major factor during this time is a need to reduce the amount of taxes your clients are paying on their income sources such as social security. While income can be an important need during this time, many expenses have been reduced by this time and how do we ensure our clients are keeping the most money possible.

By carefully monitoring provisional or combined income during retirement, your clients can effectively reduce the amount of income tax they pay on their social security benefit. What makes up this provisional income calculation?

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There are three parts including your AGI or adjusted gross income, your tax – exempt interest, and 50% of your social security income. Once you have added up your provisional income, you can determine which portion of your social security benefit will be taxed as regular income, whether that is none of your benefit, 50% of your benefit or 85% of your benefit. There are several thresholds to keep in mind while taking this strategy into account.

## For Individuals:

- Provisional income must be below \$25,000 to receive tax- free Social Security
- Provisional income between \$25,000 and \$34,000, up to 50% of your benefit is taxable
- Provisional Income above \$34,000, up to 85% of your benefit is taxable

## For Married filing Jointly:

- Provisional income must be below \$25,000 to receive tax- free Social Security
- Provisional income between \$32,000 and \$44,000, up to 50% of your benefit is taxable
- Provisional Income above \$44,000, up to 85% of your benefit is taxable

The key with this strategy is to figure out where the best balance lies for your clients needs. While it may not be a feasible strategy to eliminate the taxable portion of social security, this information will allow you to help your clients reduce their provisional income in order to reduce their taxable portion as much as possible. How do go about minimizing your provisional income? Reducing or monitoring taxable interest and reducing their adjusted gross income is the most beneficial plan. The most effective way to do this is by taking funds out of products that will consistently create taxable income, such as CD's. Moving this taxable income source to a tax-deferred option such as fixed annuity, will also provide the **STYLE** benefits, so many retirees are looking for today.

The **Palladium® MYG** is a great option for this type of strategy as it provides a guaranteed rate of interest over the chosen time frame and allows for interest to grow without the uncertainty of being in the market. For your clients up to the age of 90, this product can help to smooth out the ride and create a strategy to protect their financial future. Please visit our website at [www.img.anicoweb.com](http://www.img.anicoweb.com) for further details on the product and additional offerings. Our field support team is ready to help with illustrations and questions to get you and your clients headed in the right direction.

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Contract Form Series MYG20(14); MYG20(38); MYG20(42); MYG20(43); MYGNQ(NY); MYGPQ(NY); AI20 (Forms may vary by state). CA Form: MYG16(04). ICC20 Form: MYG20. American National Insurance Company, headquartered in Galveston, Texas is licensed to conduct business in all states except New York. Business is conducted in New York by American National Life Insurance Company of New York, headquartered in Glenmont, New York. Each company has financial responsibility only for the products and services it issues. American National does not provide tax or legal advice. Clients should consult a tax or legal advisor regarding their specific circumstances.

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