

## Mary's Net Income Scenario: Before and After Asset Shift

### Introduction:

Mary, a 79-year-old widow, relies on the 5% interest from her \$500,000 savings for her living expenses. She is concerned about potential drops in interest rates affecting her income. The scenarios below show the impact of shifting her income from fully taxable sources to a 10-year Split Annuity, where most income is tax-exempt as a return of principal, locking in a 6% interest rate for 10 years and ensuring her principal balance remains intact.

Description	Before	After	Difference
Filing Status	Single	Single	-
Salary or Other Income	\$10,000	\$10,000	\$0
Interest or Dividend Income	\$25,000	\$6,591	-\$18,409
IRA / 401(k) Income	\$0	\$0	\$0
Social Security Income	\$15,000	\$15,000	\$0
Roth IRA Distributions	\$0	\$0	\$0
Return of Principal	\$0	\$22,080	\$22,080
<b>Total Income</b>	<b>\$50,000</b>	<b>\$53,671</b>	<b>\$3,671</b>
Taxable Social Security	\$11,725	\$0	-\$11,725
Federal Income Tax	\$3,854	\$364	-\$3,490
<b>Net Income</b>	<b>\$46,146</b>	<b>\$53,307</b>	<b>\$7,161</b>
Social Security Tax Free %	21.83%	100.00%	78.17%

### Disclaimer:

Income tax calculations are based on the tax tables for 2023. The above calculations are intended solely for illustrative purposes and should not be considered as income tax advice or recommendations. Consult your tax and financial advisors before making any financial decisions or implementing any strategies suggested here.