

HOW MUCH OF MY SOCIAL SECURITY BENEFIT MAY BE TAXED?

Date: April 1, 2026



INTRODUCTION

Did you know that up to 85% of your Social Security Benefits may be subject to income tax? If this is the case, you may want to consider repositioning some of your other income to minimize how much of your Social Security benefit may be taxed and then, maximize your retirement income sources.

SUMMARY OF INPUT

| | | | |
|------------------------------------|------------------------|-------------------------------------|---------|
| Tax filing status | Married Filing Jointly | Marginal tax bracket | 22.00% |
| Long-term capital gains/losses (-) | 0.0 | Short-term capital gains/losses (-) | 0.0 |
| Dividends | \$7,000 | Taxable interest | \$8,000 |
| Tax-free interest | \$0 | Pension benefits | \$1,000 |
| Taxable IRA distributions | \$2,500 | Other taxable income | \$0 |
| Wages | \$175,000 | Self-employed income/loss (-) | 0.0 |
| Deductible IRA contributions | \$0 | Social Security received | \$2,500 |

ANALYSIS

Based on the worksheet provided in the most recent IRS Publication 915, your Social Security benefit(s) of \$2,500 will be 85% taxable increasing your taxable income by \$2,125 and creating a federal income tax liability of \$468.

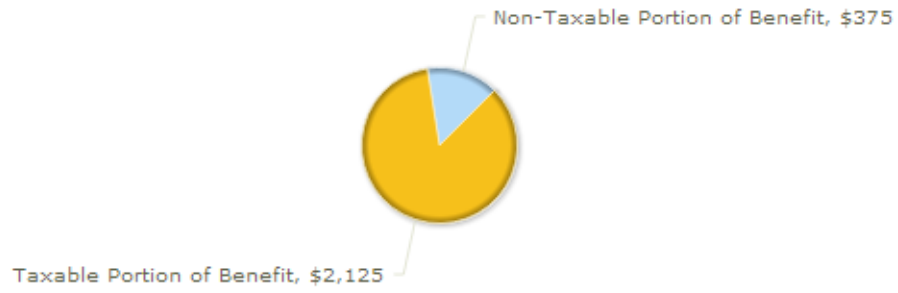
| Social Security Taxation - IRS Publication 915 | | |
|--|--|-----------|
| 1 | Total Social Security benefit | \$2,500 |
| 2 | One-half of line #1 | \$1,250 |
| 3 | Adjusted Gross Income items (without 'adjustments') | \$193,500 |
| 4 | Add back tax-free interest | \$0 |
| 5 | Add lines 2,3 and 4 | \$194,750 |
| 6 | Adjustments (deductible IRA contributions) | \$0 |
| 7 | Subtract line 6 from line 5 | \$194,750 |
| 8 | MAGI base amount | \$32,000 |
| 9 | Subtract base amount (line 8 from line 7) | \$162,750 |
| 10 | Enter factor based on filing status | \$12,000 |
| 11 | Subtract 10 from 9 (min = 0) | \$150,750 |
| 12 | Enter the smaller of line 9 or line 10 | \$12,000 |
| 13 | Enter one-half of line 12 | \$6,000 |
| 14 | Enter the smaller of line 2 and line 13 | \$1,250 |
| 15 | Multiply line 11 by 85% (min = 0) | \$128,138 |
| 16 | Add lines 14 and 15 | \$129,388 |
| 17 | Multiply line 1 by 85% | \$2,125 |
| 18 | Enter the smaller of line 16 or 17 | \$2,125 |
| | Taxable Social Security benefit | \$2,125 |
| | Percent of Social Security benefit subject to taxation | 85% |
| | Estimated taxes due | \$468 |

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The results and explanations generated by this calculator may vary due to user input and assumptions. Pacific Life does not guarantee the accuracy of the calculations, results, explanations, nor applicability to your specific situation. We recommend that you use this calculator as a guideline only and ultimately seek the guidance of an

Your Social Security Benefit



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