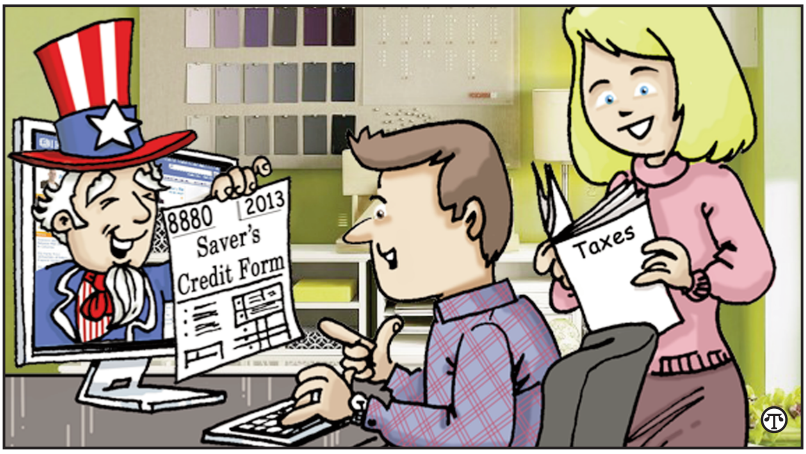
Planning For Retirement

How Uncle Sam Helps You Save For Retirement

(NAPSA)—If you ever feel your finances are too stretched to save for retirement, there could be good news for you. The Saver's Credit—a little-known tax credit made available by the IRS to low- to moderate-income workers—could make saving for retirement more affordable than you think. It may reduce your federal income taxes when you save for retirement through a qualified retirement plan or an individual retirement account (IRA).

"The Saver's Credit is fantastic because it offers many workers an added incentive to save for their future retirement, while potentially lowering their tax bill today," said Catherine Collinson, president of the Transamerica Center for Retirement Studies®.



A little-known tax credit—the Retirement Savings Contribution Credit, also known as the Saver's Credit—makes it more affordable for low- to moderate-income workers to save for retirement than many people realize.

Here's how it works:

1. Check Your Eligibility

Depending on your filing status and income level, you may qualify for a nonrefundable credit of up to $1,000 (or $2,000 if filing jointly) on your federal income taxes for that year when you contribute to a 401(k), 403(b) or similar retirement plan, or an IRA.

Single filers with an AGI of up to $29,500 in 2013 or $30,000 in 2014 are eligible. For the head of a household, the AGI limit is $44,250 in 2013 or $45,000 in 2014. For those who are married and file a joint return, the AGI limit is $59,000 in 2013 or $60,000 in 2014.

You must be 18 years or older by January 1 and cannot be a full-time student or be claimed as a dependent on another person's tax return. If you fit within these parameters, the Saver's Credit may be for you.

2. Save for Retirement

If your employer offers a retirement plan, make sure you enroll. If you are already enrolled in your employer's retirement plan, you may qualify for the credit. In general, for every dollar you contribute to a qualified retirement plan or IRA, up to the lesser of the limits permitted by an employer-sponsored plan or the IRS, you defer that amount from your current overall taxable income on your federal tax returns.

3. File Your Tax Return and Claim the Credit

When you prepare your federal tax returns, you then claim your Saver's Credit by subtracting this tax credit from your federal income taxes owed.

Most workers who are eligible to claim the Saver's Credit are also eligible to take advantage of IRS' Free File program for taxpayers with an AGI of $58,000 or less. Fourteen commercial software companies make their tax preparation software available for free through the Free File program at www.irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free.

- If you are using tax preparation software, including those offered through IRS' Free File program at www.irs.gov, use Form 1040, Form 1040A or Form 1040NR. If your software has an interview process, be sure to answer questions about the Saver's Credit, Retirement Savings Contributions Credit and/or Credit for Qualified Retirement Savings Contributions;
- If you are preparing your tax returns manually, complete Form 8880, the Credit for Qualified Retirement Savings Contributions, to determine the exact credit rate and amount. Then transfer the amount to the designated line on Form 1040, Form 1040A or Form 1040NR; or,
- If you are using a professional tax preparer, be sure to ask about the Saver's Credit.

Please note that the Saver's Credit is not available with Form 1040EZ.

The 14th Annual Transamerica Retirement Survey found that just 23 percent of American workers with an annual household income of less than $50,000 are aware that the credit exists. Don't overlook Uncle Sam's Saver's Credit; it may help you pay less in your current federal income taxes while saving for retirement.

For more details on the Saver's Credit, visit the Transamerica Center for Retirement Studies® at www.transamericacenter.org or www.irs.gov.

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About the 14th Annual Transamerica Retirement Survey: This survey was conducted online within the United States by Harris Interactive on behalf of TCRS between January 21 and February 21, 2013 among 3,651 full-time and part-time workers of employers with 10 or more employees, including 1,302 with an annual household income of less than $50,000. Potential respondents were targeted based on job title and full-time or part-time status. Respondents met the following criteria: U.S. residents, age 18 or older, full-time workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted as needed for the number of employees at companies in each employee size range.