PLANNING YOUR RETIREMENT

Uncle Sam Wants You To 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-middle-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 a wonderful opportunity to help people save for retirement by potentially saving on their tax bill," said Catherine Collinson, the retirement trends expert for the Transamerica Center for Retirement Studies®.

Here's how it works:

#1. Check Your Eligibility

For singles, anyone earning up to $26,000 in 2007 or $26,500 in 2008 is eligible. For the head of a household, the income limit is $39,000 in 2007 and $39,750 in 2008. For those who are married and file a joint return, the income limit is $52,000 in 2007 and $53,000 in 2008.

You must be 18 years or older by December 31 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.

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 457 plan or a traditional IRA.

#2. Save for Retirement

If your employer offers a retirement plan, make sure you enroll. Or open a traditional IRA with the financial institution of your choice. If you are enrolled in your employer's retirement plan, you may already qualify for the credit.

In general, for every dollar you contribute to a qualified retirement plan or traditional 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

At the end of the year, 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.

If you use a professional tax preparer, ask about the Saver's Credit, called the "Retirement Savings Contributions Credit" on Forms 1040, 1040A and 1040NR. Or, if you use tax preparation software, be sure to use Form 1040, Form 1040A or Form 1040NR to file your return. The Saver's Credit is not available with Form 1040EZ, although the IRS has included instructions with the EZ directing you to a different form if you choose to claim the credit.

Lastly, if you prepare your tax returns by hand, start with Form 8880, "Credit for Qualified Retirement Savings Contributions," to determine your credit rate and corresponding credit amount. Then use Form 1040 or Form 1040A to file your return. Transfer the amount of the Saver's Credit from Form 8880 to line 53 of Form 1040, line 33 of Form 1040A or line 48 of Form 1040NR. Have questions? See IRS publication 590, ask a tax professional or log on to the IRS Web site at www.irs.gov.

The 9th Annual Transamerica Retirement Survey found that only 17 percent of full-time 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 and online retirement planning calculators, visit the Transamerica Center for Retirement Studies® at www.transamericacenter.org. The Transamerica Center for Retirement Studies® is a nonprofit corporation.

About Transamerica Center for Retirement Studies

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About the Survey

2007 Study: This 9th Annual Transamerica Retirement Survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies between October 11 and November 21, 2007 among 2,011 full-time workers using the Harris online panel. Potential respondents were targeted based on job title and full-time status. Respondents met the following criteria: All U.S. residents, age 18 or older, full-time workers in for-profit, and employer size of 10 or more. Results were weighted as needed for ensuring each quota group had a representative sample based on the number of employees at companies in each employee size range and an omnibus phone survey was utilized to adjust for respondents' propensity to be online versus the telephone as in the previous years' waves. No estimates of theoretical sampling error can be calculated; a full methodology is available.