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 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.[1]

Here's how it works:

#1. Check Your Eligibility

For singles, anyone earning $25,000 or less is eligible. For the head of a household, the income limit is $37,500. For those who are married and file a joint return, the income limit is $50,000.

Additionally, 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. After 2006, the limits are scheduled to increase annually in $500 increments to allow for inflation.

If you fit within these parameters, the Saver's Credit may be for you. Please note: The IRS refers to the Saver's Credit as the "Retirement Savings Contributions Credit" in its publications.

#2. Start Saving for Retirement

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.

If your employer offers a retirement plan, make sure you enroll. Or, if you prefer, 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.

#3. Defer Then Subtract

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. 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.

Please note: The Saver's Credit does not apply to any catch-up contributions made.

#4. Claim Your Credit

If you use a professional tax preparer, ask about the Saver's Credit, called "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.

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 51 of Form 1040, line 32 of Form 1040A or line 46 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.

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.ta-retirement.com/thecenter/. Online retirement planning calculators are also available from Transamerica Retirement Services[2] at www.TARetirement.com.

[1] The Transamerica Center for Retirement Studies ("The Center") is a collaboration of experts assembled by Transamerica Retirement Services to promote public awareness of emerging trends surrounding retirement security in the U.S.

[2] Transamerica Retirement Services (TRS), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, specializes in the promotion of retirement plan products and services. TRS and its representatives cannot give ERISA, tax or legal advice. The material is provided for informational purposes only based on our understanding and should not be construed as ERISA, tax or legal advice. Clients and other interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here. Although care has been taken in preparing this material and presenting it accurately, TRS disclaims any express or implied warranty as the accuracy of any material contained herein and any liability with respect to it.