



News
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Survey Data Reveal Stunning Lack of Awareness of Retirement “Saver’s Credit”
Many qualifiers may be missing out on important tax credit

LOS ANGELES – March 19, 2007 – According to recent survey data, very few American adults are aware of an existing tax credit designed to help low- to middle-income Americans build their retirement nest eggs. The survey, commissioned by the Transamerica Center for Retirement Studies (“The Center”), found that only 9 percent of American adults who fall within the credit’s income eligibility requirements are familiar with it. With regard to the adults overall in the American public, only 16 percent are familiar with it.

The survey results could raise concerns that many Americans who are already saving for retirement through a company-sponsored retirement plan such as a 401(k), or through an individual retirement account, may miss out on taking the Saver’s Credit simply because they don’t know about it. Particularly vulnerable are the 29 percent of survey respondents who meet the credit’s income limits and have either filed, or plan to file, their taxes using the Form 1040EZ. The Form 1040EZ does not provide for claiming the credit, which can only be claimed using the Form 1040, Form 1040A or Form 1040NR (along with the accompanying Form 8880).

“While many qualifiers may be missing out on a significant tax credit, there are also many non-savers who might start saving for retirement with the help of an incentive like this. Unfortunately, they don’t know about it,” says Catherine Collinson, retirement and market trends expert for The Center.

Adding to the confusion, the credit is most commonly known as the “Saver’s Credit,” but the IRS refers to it as the “Retirement Savings Contributions Credit” and the “Credit for Qualified Retirement Savings Contributions” in its forms and publications.

Who is eligible for the Saver’s Credit?

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, the taxpayer must be 18 years or older by the end of the tax year and cannot be a full-time student or be claimed as a dependent on another person’s tax return.

Depending on filing status and income level, taxpayers may qualify for a credit of up to \$1,000 annually (up to \$2,000 if filing jointly) when making eligible contributions to a qualified retirement plan, such as a 401(k), 403(b) or 457 plan, or a traditional individual retirement

account (IRA). After tax year 2006, the adjusted gross income limits are scheduled to increase annually in \$500 increments to allow for inflation.

Important note: the Saver’s Credit is nonrefundable and may only be applied towards the federal income taxes owed in a given year. If an individual or household has no tax liability, then the Saver’s Credit would not be treated by the IRS as a refund.

How does it work?

“The Saver’s Credit can be viewed as the government’s matching contribution to help eligible individuals and households save for retirement,” says Collinson.

In general, for every dollar contributed to a qualified retirement plan or traditional IRA, up to the lesser of the limits permitted by the plan or the Internal Revenue Code, taxpayers can defer their contribution amount from their current overall taxable income to lower their federal income taxes. At the end of the year, when they prepare their federal tax returns, they may claim the Saver’s Credit by subtracting the applicable tax credit from the federal income taxes owed. A taxpayer may be eligible for one of the following Saver’s Credit rates: 50 percent, 20 percent or 10 percent.

Taxpayers Adjusted Gross Income			Credit Rate
Married filing jointly	Head of household	Single & married filing separately	% of contribution
\$0 - \$30,000	\$0 - \$22,500	\$0 - \$15,000	50%
\$30,001 - \$32,500	\$22,501 - \$24,375	\$15,001 - \$16,250	20%
\$32,501 - \$50,000	\$24,376 - \$37,500	\$16,251 - \$25,000	10%
Over \$50,000	Over \$37,500	Over \$25,000	0%

How Can I Claim the Saver’s Credit?

If you have contributed to a company-sponsored retirement plan, such as a 401(k) plan, or traditional IRA in the past year, check to see if you meet the Adjusted Gross Income requirements and:

- If you are using a professional tax preparer, be sure to ask about the Saver’s Credit; or,
- If you are using tax preparation software to prepare your tax return, use Form 1040A, Form 1040 or Form 1040NR to prepare the tax return as the credit is not available with Form 1040EZ. 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; or,
- If you are preparing your tax returns manually, complete the Form 8880 to determine the exact credit rate and amount. Be sure to enter the retirement saving amount on Form 8880, Credit for Qualified Retirement Savings Contributions. Complete the form to determine the exact credit rate and amount. Then transfer the amount to the designated line on Form 1040A, Form 1040 or 1040NR.

For more information, see IRS publication 590, check the IRS Web site at www.irs.gov or ask your tax professional.

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About Transamerica Center for Retirement Studies

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 United States. The Center’s research emphasizes employer-sponsored retirement plans, issues faced by small- to mid-sized companies and their employees, and the implications of legislative and regulatory changes. For more information about The Center, please refer to **www.TA-Retirement.com/TheCenter**.

About Transamerica Retirement Services

Transamerica Retirement Services (“Transamerica”), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, designs customized retirement plan solutions to meet the unique needs of small- to mid-sized businesses. Transamerica Retirement Services ranked as a top-five plan provider¹ in a recent *PLANSponsor*[®] Magazine Defined Contribution Survey and has more than 14,500² retirement plan clients totaling more than \$14.1² billion in assets. For more information about Transamerica, please refer to **www.TA-Retirement.com**.

About the Survey

The survey was conducted online within the United States by Harris Interactive® on behalf of Transamerica from February 7 to 9, 2007 among 2,482 adults (aged 18 and over) including 316 who meet the Saver’s Credit income eligibility requirements. Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the general population. Propensity score weighting was also used to adjust for respondents’ propensity to be online. With a pure probability sample of 2,482, one could say with a ninety-five percent probability that the overall results have a sampling error of +/- three percentage points. Sampling error for subsamples would be higher and would vary. However, that does not take other sources of error into account. This online survey is not based on a probability sample and, therefore, no theoretical sampling error can be calculated.

About Harris Interactive

Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides innovative research, insights and strategic advice to help its clients make more

¹ The November 2006 *PLANSponsor*[®] Magazine Defined Contribution Survey results place Transamerica Retirement Services as a top-five provider out of 50 for retirement plans with up to \$50 million in assets based on total number of cups won. See the November 2006 issue of *PLANSponsor*[®] Magazine for complete results.

² As of December 31, 2006.

confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for *The Harris Poll*, one of the longest running, independent opinion polls and for pioneering online market research methods. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices, its wholly-owned subsidiary Novatris in France and through a global network of independent market research firms. The service bureau, HISB, provides its market research industry clients with mixed-mode data collection, panel development services as well as syndicated and tracking research consultation. More information about Harris Interactive may be obtained at www.harrisinteractive.com.

To become a member of the Harris Poll Online and be invited to participate in online surveys, register at www.harrispollonline.com/.

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