

News

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Few Workers Aware of Federal Income Tax Retirement “Saver’s Credit”

Transamerica Center for Retirement Studies Offers Guidance on How to Find and Claim Credit

LOS ANGELES – January 12, 2011 – Many Americans may be missing out on a valuable credit this tax season. The Internal Revenue Service’s retirement “Saver’s Credit” is available to low-to-middle income workers who are saving for retirement, yet very few workers who may be eligible know it exists. In fact, only 12 percent of American workers with annual household incomes of less than \$50,000 are aware of the credit, according to the 11th annual Transamerica Retirement Survey.

The Saver’s Credit may be applied to the first \$2,000 of voluntary contributions an eligible worker makes to a 401(k) or similar employer-sponsored retirement plan, or an IRA. Credits of up to \$1,000 for single-filers, and \$2,000 for married couples, are available.

“The Saver’s Credit is a meaningful incentive for low-to-middle income individuals and households to save for retirement. Unfortunately, few are aware that it’s available,” said Catherine Collinson, president of the Transamerica Center for Retirement Studies®. “It’s important that we work to raise awareness of this wonderful tax credit and opportunity to save for retirement so that more workers may take advantage of it and improve their chances of financial security down the road.”

How to Claim the Saver’s Credit

The credit is available to workers aged 18 years or older who have contributed to a company-sponsored retirement plan or IRA in the past year and meet the Adjusted Gross Income requirements. Single filers with an adjusted income of up to \$27,750 in 2010 or \$28,250 in 2011 are eligible. For the head of a household, the adjusted income limit is \$41,625 in 2010 and \$42,375 in 2011. For those who are married and file a joint return, the adjusted income limit is \$55,500 in 2010 or \$56,500 in 2011. Additionally, the filer cannot be a full-time student or be claimed as a dependent on another person’s tax return. Workers can take the following steps to claim the credit:

- If you are using tax preparation software to prepare your tax return, use Form 1040A, Form 1040 or Form 1040NR. The credit is not available with Form 1040EZ; however the IRS has included instructions with the EZ form directing you to a different form if you choose to claim the credit. 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 1040A, Form 1040 or 1040NR.
- If you are using a professional tax preparer, be sure to ask about the Saver’s Credit.

More information about the Saver's Credit can be found at www.transamericacenter.org and www.irs.gov.

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About Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies® (“The Center”) is a non-profit corporation and private foundation. The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center, please refer to www.transamericacenter.org.

About the 11th Annual Retirement Survey

This survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies between December 3, 2009 and January 18, 2010 among 3,598 full-time and part-time workers. Potential respondents were targeted based on job title and full-time and part-time status. Respondents met the following criteria: All 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. No estimates of theoretical sampling error can be calculated; a full methodology is available.