

News

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Few Low-to-Middle Income Taxpayers Aware They Qualify for Retirement Savings Tax Credit

Transamerica Center for Retirement Studies® Offers Guidance on How to Find and Claim the “Saver’s Credit”

LOS ANGELES – January 19, 2012 – Many American workers may be missing out on a valuable tax credit this year. The Internal Revenue Service’s retirement “Saver’s Credit” is available to low-to-middle income workers who are saving for retirement, yet just 21 percent of American workers with annual household incomes of less than \$50,000 are aware of the credit, according to the 12th Annual Transamerica Retirement Survey.

“The Saver’s Credit reduces an eligible taxpayer’s federal income tax dollar-for-dollar, making it a meaningful incentive for low-to-middle income individuals and households to save for retirement in a 401(k) plan or IRA. 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.”

The “Saver’s Credit” may also benefit unemployed and underemployed workers who have contributed to a 401(k) plan or IRA and have taxable income to report for 2011. According to the Survey, 36 percent of unemployed and underemployed workers have saved less than \$10,000 in total household retirement accounts.

How to Claim the Saver’s Credit

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 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 \$28,250 in 2011 or \$28,750 in 2012 are eligible. For the head of a household, the adjusted income limit is \$42,375 in 2011 or \$43,125 in 2012. For those who are married and file a joint return, the adjusted income limit is \$56,500 in 2011 or \$57,500 in 2012. 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 1040, Form 1040A 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 1040, Form 1040A 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, 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 12th Annual Retirement Survey (Full-time and Part-time Workers)

This survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies® between January 31, 2011 and March 10, 2011 among 4,080 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.

About the 12th Annual Retirement Survey (Unemployed / Underemployed Workers)

This survey was conducted online within the United States by Harris Interactive on behalf of the Transamerica Center for Retirement Studies® between February 2, 2011 and February 23, 2011 among a nationally representative sample of 668 unemployed or underemployed people using the Harris online panel. Respondents met the following criteria: All U.S. residents, age 18 or older; people who were fully employed in a for-profit company employing 10 or more people and are currently unemployed or underemployed. Results were weighted to ensure that each quota group had a representative sample based on the length of time people were underemployed or unemployed. A full methodology is available. In this report “underemployed” workers are those who are working part-time only because they are unable to find full-time employment, or working full-time but self-report they consider him or herself underemployed.

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