

News

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Low- to Moderate-Income Taxpayers May Be Missing Out on Retirement Savings Contributions Credit (Saver's Credit)

Transamerica Center for Retirement Studies® Offers Tips on How to Claim the Tax Credit

LOS ANGELES – January 24, 2013 – Many American workers may be missing out on a valuable tax credit this year. The Internal Revenue Service's Retirement Savings Contributions Credit, also known as the Saver's Credit, is available to low- to moderate-income workers who are saving for retirement, yet just 20 percent of American workers with annual household incomes of less than \$50,000 are aware of the credit, according to the 13th Annual Transamerica Retirement Survey.

"The Saver's Credit reduces an eligible taxpayer's federal income taxes dollar for dollar, making it a meaningful incentive for low-to moderate-income individuals and households to save for retirement in a 401(k), 403(b) or IRA. Unfortunately, many may be missing out simply because they are unaware of it," said Catherine Collinson, president of the Transamerica Center for Retirement Studies®, a non-profit, private foundation. "It's critical that we raise awareness of this important tax credit and opportunity to save for retirement so that more workers can take advantage of it and improve their retirement outlook."

The Saver's Credit may also benefit unemployed and underemployed workers who have contributed to a 401(k) or 403(b) plan or IRA and have taxable income to report for 2012. 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 \$28,750 in 2012 or \$29,500 in 2013 are eligible. For the head of a household, the adjusted income limit is \$43,125 in 2012 or \$44,250 in 2013. For those who are married and file a joint return, the adjusted income limit is \$57,500 in 2012 or \$59,000 in 2013. 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 13th Annual Retirement Survey

This survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies® between January 13-31, 2012 among 3,609 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: 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 13th 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 2-10, 2012 among a nationally representative sample of 621 unemployed or underemployed people using the Harris online panel. Respondents met the following criteria: 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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