

# Planning Your Retirement

(NAPS)—Saving for retirement can be challenging when juggling competing financial priorities, such as building short-term savings, paying off debt, and just covering basic living expenses. The good news is that the Saver’s Credit—a little-known tax credit made available by the IRS to eligible taxpayers—could reduce your federal income taxes when you save for retirement through a qualified retirement plan, such as a 401(k) plan, or an Individual Retirement Account (IRA).

“The Saver’s Credit is fantastic because it is an additional incentive to save for retirement on top of the benefits of tax-deferred savings when contributing to an employer-sponsored retirement plan or IRA,” says Catherine Collinson, president of nonprofit [Transamerica Center for Retirement Studies®](#). “It can help make saving for retirement a little less challenging.”

Tips for claiming the Saver’s Credit:

## 1. Check Your Eligibility

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), 457(b) or similar retirement plan, or IRA.

To be eligible, the maximum Adjusted Gross Income (AGI) for single filers is \$31,500 in 2018 and \$32,000 in 2019. For the head of a household, the AGI maximum is \$47,250 in 2018 and \$48,000 in 2019. For those who are married and file a joint return, the AGI maximum is \$63,000 in 2018 and 64,000 in 2019.

You must be 18 years or older by January 1 and cannot be a full-time student or be claimed as a dependent on another person’s tax return.



**The Saver’s Credit—an overlooked tax credit for eligible taxpayers—could make saving for retirement more affordable than many people realize.**

## 2. Save for Retirement

Save for retirement in your employer’s retirement plan, if offered, or in an IRA. In general, for every dollar you contribute to a qualified retirement plan or 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—and you may also qualify for the Saver’s Credit. After-tax contributions, such as those made to a Roth IRA or Roth 401(k) are also eligible for the credit. You have until April 15, 2019 to make a contribution to an IRA for tax year 2018.

## 3. File Your Tax Return and Claim the Credit

When you prepare your federal tax returns, you can claim your Saver’s Credit by subtracting this tax credit from your federal income taxes owed.

Workers who are eligible to claim the Saver’s Credit are also eligible to take advantage of the IRS Free File program for taxpayers with an AGI of \$66,000 or less. Twelve commercial software companies make their tax preparation software available

through the Free File program at [www.irs.gov/FreeFile](http://www.irs.gov/FreeFile).

- If you are using tax preparation software, use [Form 1040](#), or [Form 1040NR](#). If your software has an interview process, be sure to answer questions about the Saver’s Credit, also referred to as the 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 your exact credit rate and amount. Then transfer the amount to Schedule 3 (Form 1040), or Form 1040NR.
- If you are using a professional tax preparer, be sure to ask about the Saver’s Credit.
- Consider having any refund you receive directly deposited to an IRA to further boost your retirement savings.

The 2018 Annual Transamerica Retirement Survey found that 62 percent of American workers are unaware that the Saver’s Credit exists. Don’t overlook this important tax credit; it may help you pay less in your current federal income taxes while saving for retirement. Spread the word – perhaps friends and family are eligible for this incentive but are unaware of it.

For more details and resources on the Saver’s Credit in English and Spanish, visit Transamerica Center for Retirement Studies® at [transamericacenter.org/saverscredit](http://transamericacenter.org/saverscredit).

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