



# \$avings Account\$

*A monthly savings tip from the American Savings Education Council (ASEC)—February 2013*

## Credit Where Credit is Due

There are lots of good incentives to save for retirement beyond your desire to enjoy a financially secure retirement.

There are the tax advantages to saving on a pre-tax basis, the ability to watch those savings continue to grow without paying taxes until you actually withdraw them. For many, there is the additional incentive of a company matching contribution that can make your contributions worth even more.

## The Saver's Credit

There is also a savings incentive you may not be familiar with, and it comes from none other than the federal government. It's the Internal Revenue Service's Retirement Savings Contributions Credit, also known as the Saver's Credit, and it's available to low- to moderate-income workers who are saving for retirement. If you qualify, you could get a \$1,000 break on your taxes—twice that if you are married and file a joint return!

Your credit amount is based on your filing status, adjusted gross income, tax liability and amount contributed to qualifying retirement programs. The Saver's Credit helps offset part of the first \$2,000 you contribute to an individual retirement account (IRA) or to workplace retirement programs. Contributions made by the end of the year to your 401(k), 403(b), or governmental 457 plans, as well as those made to the Thrift Savings Plan (TSP) for federal employees are all eligible, or you can set up a new individual retirement arrangement by April 15 (or add money to an existing IRA) and still get credit for those contributions for 2012.

## Who's Eligible?

The Saver's Credit can be claimed by workers age 18 years or older who have contributed to a company-sponsored retirement plan or IRA in the past year and meet the following adjusted gross income requirements:



- Married couples filing jointly with incomes up to \$57,500 in 2012 or \$59,000 in 2013;
- Heads of household with incomes up to \$43,125 in 2012 or \$44,250 in 2013; and
- Married individuals filing separately and singles with incomes up to \$28,750 in 2012 or \$29,500 in 2013.

Many who are eligible aren't aware of the Saver's Credit: 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. However, the IRS notes that in tax-year 2010 (the most recent year for which complete figures are available), saver's credits totaling just over \$1 billion were claimed on more than 6.1 million individual income tax returns. Saver's credits claimed on these returns averaged \$204 for joint filers, \$165 for heads of household and \$122 for single filers.

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.

More information on the Saver's Credit, who is eligible, and how to claim it, is available [HERE](#).  
<http://1.usa.gov/ZlaXNR>

You can find more free savings tips, tools, and calculators at [www.choosetosave.org](http://www.choosetosave.org)

Remember that America Saves Week is February 25–March 2, 2013. Find out more at <http://www.americasavesweek.org/>

*About EBRI and ASEC:*

The Employee Benefit Research Institute (EBRI) is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. [www.ebri.org](http://www.ebri.org)

The American Savings Education Council (ASEC), an EBRI program, is a nonprofit national coalition of public- and private-sector organizations undertaking initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC's goal is to make saving and planning a vital concern of all Americans. [www.asec.org](http://www.asec.org)

ChoosetoSave.org, created by EBRI, is a website devoted exclusively to financial education. It includes free savings tools such as the Ballpark E\$timate retirement planning worksheet, more than 100 online calculators, brochures, savings tips, links to related resources, and other tools to help individuals and their family manage their finances. [www.choosetosave.org](http://www.choosetosave.org)

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