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to Invest

Retirement Saver's Credit

Another Good Reason to Save—The Government May Foot Part of the Bill

Yes, you read that right. In an understated section of the 2001 Tax Act, also known as the Economic Growth and Tax Relief Reconciliation Act of 2001, the government created a special credit—the retirement savings contributions credit (commonly referred to as the "Saver's Credit")—to offset the high cost of retirement saving for investors in certain income brackets.

The Saver's Credit can be taken for your contributions to a Traditional or Roth IRA, your 401(k), SIMPLE IRA, SARSEP, 403(b), 501(c)(18) or governmental 457(b) plan, and your voluntary after-tax employee contributions to your qualified retirement and 403(b) plans.

Rollover contributions aren't eligible for the Saver's Credit. Also, your eligible contributions may be reduced by any recent distributions you received from a retirement plan or IRA.

You're eligible for the credit if you are:

1. Age 18 or older;
2. Not a full-time student; and
3. Not claimed as a dependent on another person's return.

The amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to \$2,000 (\$4,000 if married filing jointly), depending on your adjusted gross income (reported on your Form 1040 or 1040A). Use the chart (below) to calculate your credit.

2017 Saver's Credit

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers ²
50% of your contribution	AGI not more than \$37,000	AGI not more than \$27,750	AGI not more than \$18,500
20% of your contribution	\$37,001–\$40,000	\$27,751–\$30,000	\$18,501–\$20,000
10% of your contribution	\$40,001–\$62,000	\$30,001–\$46,500	\$20,001–\$31,000
0% of your contribution	More than \$62,000	More than \$46,500	More than \$31,000

2016 Saver's Credit

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers ²
50% of your contribution	AGI not more than \$37,000	AGI not more than \$27,750	AGI not more than \$18,500
20% of your contribution	\$37,001–\$40,000	\$27,751–\$30,000	\$18,501–\$20,000
10% of your contribution	\$40,001–\$61,500	\$30,001–\$46,125	\$20,001–\$30,750
0% of your contribution	More than \$61,500	More than \$46,125	More than \$30,750

To Claim the Credit, When You File Your Taxes

- Complete IRS Form 8880, a worksheet for determining the amount of your credit.
- Input your total from IRS Form 8880 on line 50 of IRS Form 1040. (You may not use IRS Form 1040EZ to claim the credit.)

For more information about how this tax credit affects your situation, please contact your financial advisor or speak with a qualified tax accountant.

Example 1

Jeremy¹ is a single individual with adjusted gross income, as of 2016, of \$17,700 who contributes \$3,000 to a Roth IRA. His credit will be 50% of the first \$2,000 he contributed, or \$1,000.

Example 2

The Bertrams¹ have joint income of \$38,000, as of 2016, and contribute \$1,500 in total to Mr. Bertram's 401(k). The Bertrams' tax credit will be \$300, or 20% of their total contributions up to \$2,000.

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1. The persons portrayed in this example are fictional. This material does not constitute a recommendation as to the suitability of any investment for any person or persons having circumstances similar to those portrayed, and a financial advisor should be consulted.
 2. Single, married filing separately, or qualifying widow(er).

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