Destination: Retirement

CANBY Financial Advisors

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Questions?

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Give Yourself a Retirement Saver's Tax Credit

When it comes to saving for retirement, it makes sense to capitalize on every available advantage, incentive, and opportunity that will get you closer to realizing your savings goals.

Did you know that the IRS offers a tax incentive called the Saver's Credit? It rewards workers who contribute to workplace retirement plans—including 401(k)s, 403(b)s, and SIMPLE IRAs—or to traditional or Roth IRAs. The Saver's Credit can also be taken for your contributions to an Achieving a Better Life Experience (ABLE) account if you are the designated beneficiary.

Depending on your adjusted gross income (AGI) and filing status, you can claim a 10-percent, 20-percent, or 50-percent credit for the first $2,000 you contribute to a retirement account during the year. If you are married and filing jointly, the maximum eligible contribution is $2,000 each for you and your spouse. Therefore, the Saver's Credit can be worth as much as $1,000 for individuals and $2,000 for couples who save in retirement accounts.

How it works. You are eligible for the Saver's Credit if you are:

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

If you meet these requirements, use the table on the next page to determine the credit rate you can receive based on your tax filing status and AGI.

2019 SAVER'S CREDIT ELIGIBILITY GUIDELINES			
Credit Rate	**Married Filing Jointly**	**Head of Household**	**All Other Filers**
50% of your contribution	AGI of not more than $38,500	AGI of not more than $28,875	AGI of not not more than $19,250
20% of your contribution	AGI of $38,501–$41,500	AGI of $28,876–$31,125	AGI of $19,251–$20,750
10% of your contribution	AGI of $41,501–$64,000	AGI of $31,126–$48,000	AGI of $20,751–$32,000
0% of your contribution	AGI of more than $64,000	AGI of more than $48,000	AGI of more than $32,000

Other important pointers to keep in mind:

- Participation in a retirement account is key. Remember, to qualify for the Saver's Credit, you need to be contributing to one of the above-mentioned retirement savings accounts.
- The credit isn't given automatically; you must claim it. To claim the credit, you must submit Form 8880 with your tax return.
- Be sure to use the proper tax forms. In addition to Form 8880, you'll need to file Form 1040, Form 1040A, or Form 1040NR to report your AGI. Most tax preparation software will calculate the credit for you, but you may wish to consult a tax professional.
- Rollover contributions are not eligible. Only new contributions you make to your retirement plan or IRA qualify for the credit.
- Pay attention—there are multiple deadlines. Contributions to workplace retirement plans must be made by the end of the calendar year in order to qualify for the credit. The deadline for 2018 IRA contributions is the tax filing deadline, April 15, 2019. (April 17 for taxpayers who live in Maine or Massachusetts).

Adding a Roth IRA to Your Retirement Savings Plan

Here's an option for your tax refund: Put it work to grow your retirement nest egg by opening a Roth IRA and making a 2018 tax-year contribution.

For most taxpayers, the contribution deadline for tax-year 2018 is April 15, 2019 (April 17 for taxpayers who live in Maine or Massachusetts).

But even if you don't have time to make a 2018 contribution, a Roth IRA can still be an attractive complement to your 401(k) plan.

Tax-free earnings and withdrawals

With a Roth IRA, your contributions grow tax free, and you can make tax- and penalty-free withdrawals of contributions and earnings after you reach age 59½.

Unlike your 401(k) plan, you can continue to contribute to a Roth IRA after you reach age 70½ if you have earned income. And you never have to take minimum required distributions.

For many people, during retirement a Roth IRA serves as a vehicle to keep their retirement investments growing, while taking required withdrawals from their 401(k) plan accounts to provide income for everyday expenses.

The benefits of starting a Roth IRA today

If you're able to open and make a 2018 tax-year contribution to a Roth IRA, doing it before your tax filing deadline is a smart idea.

Why? Because Roth IRA assets must be held for five years before they can be withdrawn tax-free at age 59½ or older. If you open a Roth IRA in 2019 before the tax deadline and make a 2018 tax-year contribution, your five-year holding period will be dated to start on January 1, 2018—earning you a full year for a contribution made a year later!

Another benefit? You can make Roth IRA contributions for 2018 and 2019 at the same time (you need to specify which tax year(s) you're making them for when you do it).

Authored by the Retirement Consulting Services team at Commonwealth Financial Network.

Additional content from Broadridge Investor Communication Solutions, Inc.

2018 contribution limits

If you already have a Roth or Traditional IRA you can potentially make a combined maximum contribution of up to $5,500 across all of your IRA Traditional and Roth accounts ($6,500 if you were age 50 or older on December 31, 2018).

Your actual contribution may vary

Keep in mind that as your Modified Adjusted Gross Income (MAGI) rises, the amount you can contribute to a Roth IRA declines. Above a certain level of MAGI, you can't contribute at all. Likewise, Traditional IRAs have MAGI limits that determine whether you can deduct your contributions. These limits are summarized in an article on our web site.[1]

If you're not sure which option—a Roth IRA or Traditional IRA—makes sense for you, a financial advisor or your retirement plan advisor can guide you through the decision-making process.

Commonwealth Financial Network® does not provide legal or tax advice. Please contact your legal or tax advisor for advice on your specific situation.

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[1]http://www.canbyfinancial.com/content/WhyBeatingthe2018IRADeadlineMakesSense