

The Saver's Credit

Get tax credits for your retirement plan

Are you interested in:

- ▶ **reducing** your tax liability to the IRS?
- ▶ enjoying **tax savings** as a result of your adjusted gross income being reduced?
- ▶ receiving a **tax credit** to be applied, dollar for dollar, against any income taxes owed?

You may be able to achieve all of the above if you are eligible to take advantage of the Saver's Credit (also known as the retirement savings contributions credit).



An example of the Saver's Credit in action...

John and his wife Susan filed their federal income tax return jointly. For 2015, their adjusted gross income (AGI) was originally \$39,500. Their federal income tax would have been \$3,116.

Without Contribution		
A	AGI (Adjusted Gross Income)	\$39,500
B	Standard Tax Deductions	\$12,600
C = A - B	Taxable Income	\$26,900
D	Tax	\$3,116
E	Tax Credit	None
F = D - E	Total Income Tax	\$3,116
With \$4,000 Contribution and Filing Jointly		
A	AGI (Adjusted Gross Income)	\$35,500
B	Standard Tax Deductions	\$12,600
C = A - B	Taxable Income	\$22,900
D	Tax	\$2,516
E	Tax Credit	\$2,000
F = D - E	Total Income Tax	\$516
Total tax saved: \$2,600 (\$3,116 - \$516) ¹		

However, Susan contributed \$2,000 to her employer's 401(k) plan and John made a deductible contribution of \$2,000 to an IRA. As a result of their combined \$4,000 contributions:

- 1) John and Susan's 2015 AGI was lowered to \$35,500 (\$39,500 - \$4,000).
- 2) John and Susan's federal income tax amount was lowered to \$2,516 based on a lower AGI.
- 3) And after applying the Saver's Credit of \$2,000, their federal income tax was lowered even more and they would pay only \$516.

The bottom line: By saving \$4,000 toward their retirement, Susan and John also reduced their taxes by an additional \$2,600!

What is the Saver's Credit?

The Saver's Credit is a non-refundable income tax credit that's available to eligible taxpayers in the United States who make contributions to a traditional IRA, an employer-sponsored 401(k) plan, or certain other eligible retirement plans. *This credit is in addition to any tax benefits you receive for contributions to your plan.*

How does the Saver's Credit work?

Depending on your adjusted gross income (AGI) and filing status, you could receive a tax credit of up to 50% of the first \$2,000 in retirement contributions made in 2015. Certain retirement plan distributions will, however, reduce the contribution amount used to figure the credit. Use IRS Form 8880 and its distribution to help make your calculation.

¹Hypothetical mathematical illustration only. Figures are based on assumptions as set out and individual circumstances may vary.

Who is eligible for the Saver's Credit?

To be eligible for the Saver's Credit, you:

- ▶ must be at least 18 years of age before the beginning of the taxable year
- ▶ cannot be enrolled as a full-time student
- ▶ cannot be listed as a dependent on another person's tax return
- ▶ have income not exceeding applicable amounts. For the 2015 tax year, the amounts are as follows:
 - \$31,000 if you're single or married and filing separately
 - \$46,500 for the head of a household
 - \$62,000 if you are married and filing jointly.

Maximum contribution for the credit for an individual is \$2,000. For married filing jointly, the maximum contribution is \$4,000 (\$2,000 each).

2017 Saver's Credit Rate

ADJUSTED GROSS INCOME			CREDIT
MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD	SINGLE OR MARRIED FILING SEPARATELY	
\$0 - \$37,000	\$0 - \$27,750	\$0 - \$18,500	50% of contribution
\$37,001 - \$40,000	\$27,751 - \$30,000	\$18,501 - \$20,000	20% of contribution
\$40,001 - \$61,500	\$30,001 - \$46,125	\$20,001 - \$30,750	10% of contribution
\$61,501 and over	\$46,126 and over	\$30,751 and over	Credit not available

Put the Saver's Credit to work for you!

If you think you might be eligible for the Saver's Credit, be sure to discuss it with your tax-return advisor.

Don't delay – start taking advantage of the Saver's Credit today.



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