



# Tax Saver's Credit: Get the "Credit" You Deserve!

You may be eligible for a valuable incentive, which could reduce your federal income tax liability, for contributing to your company's 401(k) or 403(b) plan. **If you qualify, you may receive a Tax Saver's Credit of up to \$1,000 (\$2,000 for married couples filing jointly) if you made eligible contributions to an employer sponsored retirement savings plan.** The deduction is claimed in the form of a non-refundable tax credit, ranging from 10% to 50% of your annual contribution.

Remember, when you contribute a portion of each paycheck into the plan on a pre-tax basis, you are reducing the amount of your income subject to federal taxation. And those assets grow tax-deferred until you receive a distribution. If you qualify for the Tax Saver's Credit, you may even further reduce your taxes.

Your eligibility depends on your adjusted gross income (AGI), your tax filing status, and your retirement contributions. To qualify for the credit, you must be age 18 or older and cannot be a full-time student or claimed as a dependent on someone else's tax return.

Use this chart to calculate your credit for the tax year 2022. First, determine your AGI – your total income minus all qualified deductions. Then refer to the chart below to see how much you can claim as a tax credit if you qualify.



Filing Status/Adjusted Gross Income for 2022			
Amount of Credit	Joint	Head of Household	Single/Others
50% of amount deferred	\$0 to \$41,000	\$0 to \$30,750	\$0 to \$20,500
20% of amount deferred	\$41,001 to \$43,000	\$30,751 to \$33,000	\$20,501 to \$22,000
10% of amount deferred	\$43,001 to \$68,000	\$33,001 to \$51,000	\$21,501 to \$34,000

Source: IRS Form 8880

For example:

- A single employee whose AGI is \$17,000 defers \$2,000 to their retirement plan will qualify for a tax credit equal to 50% of their total contribution. That's a tax savings of \$1,000.

- A married couple, filing jointly, with a combined AGI of \$42,000 each contributes \$1,000 to their respective retirement plans, for a total contribution of \$2,000. They will receive a 20% credit that reduces their tax bill by \$400.

With the Tax Saver's Credit, you may owe less in federal taxes the next time you file by contributing to your retirement plan today!

**If you have questions about your withdrawal options as you near retirement, please Peter Raskin at [617.728.7433] or email at [Peter.Raskin@LFG.com].**

<sup>1</sup> If the retirement plan allows.

<sup>2</sup> Partial, full or late retirement age is based on the year you were born. See [ssa.gov](http://ssa.gov) for details.

<sup>3</sup> If a participant in a qualified plan is still employed and not a greater than 5 percent owner, they are not required to start minimum distributions from that plan until they retire. Distributions before the age of 59½ may be subject to an additional 10% early withdrawal penalty.

Distributions and withdrawals are subject to ordinary income taxes.

Source: Principal Financial Group

Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss of principal due to changing market conditions.

Dollar cost averaging does not assure a profit and does not protect against a loss in declining markets. This strategy involves continuous investing; you should consider your financial ability to continue purchases no matter how prices fluctuate.

Prior to rolling over, consider your other options. You may also be able to leave money in your current plan, withdraw cash or roll over the assets to your new employer's plan if one is available and rollovers are permitted. Compare the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment. Speak with your advisor regarding your situation.

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

To remove yourself from this list, or to add a colleague, please email us at [Peter.Raskin@LFG.com](mailto:Peter.Raskin@LFG.com) or call 617.728.7433.

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