

Receive a tax break

When you save for retirement, you may be eligible for a tax credit based on your income.

There are key tax advantages and other benefits when you invest through your workplace retirement plan. Making contributions to your workplace retirement plan or Individual Retirement Account (IRA) may earn you an additional advantage on your taxes called the “saver’s credit.” You are eligible for this federal income tax credit if you are:

- At least age 18
- Not a full-time student
- Not claimed as a dependent on someone else’s federal income tax return
- Able to meet certain income guidelines



How is the Saver’s Credit calculated?

Your adjusted gross income (AGI) determines the percentage of your contribution that is eligible for a tax credit. Your AGI is your gross income less certain adjustments such as alimony, moving expenses, deductible retirement plan contributions, and other deductions. Your federal income tax credit is calculated using a maximum contribution of \$2,000 for an individual, who can earn a saver’s credit up to \$1,000.

What kind of tax break does the Saver’s Credit provide?

The chart on the reverse side illustrates what type of tax credit you may be eligible for, depending upon your income range. To take advantage of the saver’s credit, you can claim this tax credit when you file your annual federal income tax return. The amount of your saver’s credit may be reduced if you or your spouse receives a taxable distribution from a retirement plan or IRA within certain time periods.

The tax credit is nonrefundable and may reduce your federal income tax. For example, if you don’t owe federal income taxes or you owe less than the saver’s credit entitles you to, your saver’s credit is forfeited or reduced to the amount of tax you actually owe.

Example:

Joe defers \$2,000 to his retirement plan. He is single and his AGI is \$18,000. According to the chart, Joe is entitled to a federal income tax credit of \$1,000 ($\$2,000 \times 50\%$). This tax credit will reduce his federal income tax liability at the end of the year. If Joe doesn't owe federal income taxes that year, his tax credit is forfeited since the saver's credit is nonrefundable.

Learn more

To learn more, consult your tax advisor. To access your retirement plan account, visit www.retiresmart.com or call the Participant Information Center at **1-800-743-5274**.

INCOME LIMITS FOR 2018 SAVER'S CREDIT

Tax Credit	AGI – Single	AGI – Head of Household	AGI – Married Filing Jointly
50% of employee contributions (\$1,000 maximum tax credit; \$2,000 if filing jointly)	\$19,000 or less	\$28,500 or less	\$38,000 or less
20% of employee contributions (\$400 maximum tax credit; \$800 if filing jointly)	\$19,001 – \$20,500	\$28,501 – \$30,750	\$38,001 – \$41,000
10% of employee contributions (\$200 maximum tax credit; \$400 if filing jointly)	\$20,501 – \$31,500	\$30,751 – \$47,250	\$41,001 – \$63,000
0% of employee contributions (No tax credit available)	more than \$31,500	more than \$47,250	more than \$63,000

Source: www.irs.gov, Nov. 29, 2017.

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