

Make the Tax Code Work for You



Saving for Retirement Can Save Money on Your Taxes, Too

Your employer's retirement plan is more than a tool for saving for the future. It also can help you reduce your taxes — now.

Qualified retirement plans offer two important tax advantages:

1. You can receive a tax credit for a portion of your savings, depending on your income.
2. The contributions you make to a traditional retirement plan are deducted from your paycheck before taxes.

Tax Credits For Retirement Plan Participants¹

The chart below shows the percent of your contribution (up to \$2,000) you are eligible to receive as a tax credit based on your annual adjusted gross income and tax filing status. See the IRS website for filing instructions.²

Tax credit	Married, filing jointly	Head of household	All other filers
50%	\$0–\$39,500	\$0–\$29,625	\$0–\$19,750
20%	\$39,501–\$43,000	\$29,626–\$32,250	\$19,751–\$21,500
10%	\$43,001–\$66,000	\$32,251–\$49,500	\$21,501–\$33,000
0%	More than \$66,000	More than \$49,500	More than \$33,000

The Retirement Savings Contributions Credit

The Pension Protection Act of 2006 made permanent the federal tax credit offered to retirement plan participants. Under this law, you can qualify for a tax credit of up to 50 percent of your contribution to your retirement plan or IRA, depending on your income. See the chart above for specific tax credit information.

If you file your taxes as the head of a household, have an income of \$29,625 or less and take no distributions during the testing period,³ you can earn a tax credit for the first \$2,000 you contribute. The maximum credit allowed to an individual is \$1,000 (\$2,000 x 50 percent).

A married couple filing jointly with an income of \$39,000 can receive a tax credit of \$2,000 if they each make qualifying contributions totaling at least \$4,000 and take no distributions during the testing period.

continued on reverse

¹ The participant must be over the age of 18 and cannot be a full-time student or a dependent.

² The annual adjusted gross income limits will be adjusted for inflation. These limits are valid for 2021.

³ The testing period is the tax year for which the credit is claimed, the two preceding tax years and the period before the due date for filing your return for that tax year. Distributions that are not taxable because they are rolled over do not reduce the credit.

Standard Retirement Services, Inc.
1100 SW Sixth Avenue
Portland OR 97204
877.805.1127

www.standard.com

Make The Tax Code Work For You
SRS 10815 (10/20)

Tax-deferred Contributions

If you contribute to a traditional retirement plan, your contributions are made before taxes. Your taxable income will be reduced by the full amount you contribute, up to the IRS limit. So, if you earn \$33,000 and contribute \$4,000 to your plan, your taxable income will be no more than \$29,000.

Because they are deducted before taxes, traditional contributions reduce your take-home pay by less than the actual amount you set aside for retirement. You do not owe taxes on your savings until you withdraw from your account.

This is a non-refundable tax credit. The maximum credit can be no more than the amount you would otherwise pay in taxes.

The Real Out-of-pocket Cost

These tax advantages can make the real cost of saving for your future much less than the amount you actually invest. Maximize your savings today and make your plan and the tax code work for you. To determine how the tax laws affect your specific situation, consult your tax advisor.

The Standard is the marketing name for StanCorp Financial Group, Inc. and its subsidiaries. StanCorp Equities, Inc., member FINRA, wholesales a group annuity contract issued by Standard Insurance Company and a mutual fund trust platform for retirement plans. Third-party administrative services are provided by Standard Retirement Services, Inc. Investment advisory services are provided by StanCorp Investment Advisers, Inc., a registered investment advisor. StanCorp Equities, Inc., Standard Insurance Company, Standard Retirement Services, Inc. and StanCorp Investment Advisers, Inc. are subsidiaries of StanCorp Financial Group, Inc. and all are Oregon corporations.