

# Saver's Credit

## The 2013 Saver's Credit Model Communication

Help your low-income workers can take advantage of this important tax credit.

**B**elow is a model communication listing the 2014 Saver's Credit limits. Plan sponsors can use this model communication to recruit non-highly compensated employees into the plan. Please customize this notice, especially in regards to the reference to a company contribution in the last paragraph.

### Model Communication

#### Tax Credit for Low- and Moderate-Income 401(k) Savers

Dear Plan Participant:

If you elected to save for your retirement in our 401(k) plan, you may be eligible to claim a special tax credit of up to \$1,000. In order to qualify for the Saver's Credit you must be:

- 18 years of age or older
- Not a full-time student
- Not claimed as a dependent on someone else's return

In addition, you must meet one of the following financial criteria:

- File your taxes singly with an income of \$30,000 or less.
- File your taxes as head of household and have an income of \$45,000 or less.
- File your taxes jointly with an income of \$60,000 or less.

The tax credit ranges from 10 to 50 percent of each \$1.00 you contribute, up to the first \$2,000 you put in your 401(k). That's between \$200 and \$1,000 directly off the income taxes you pay. If you and your spouse both contribute to a 401(k) plan, you may both be eligible to receive a credit. The amount of your tax credit depends on the amount of your adjusted gross income. The income limits and applicable credit rate allowance are given in the table below.

The tax credit is in addition to other favorable tax treatment for your 401(k) participation, such as the deferral of income tax on your contributions. Please note that this credit applies only as a reduction to your income tax liability, not as cash in hand via a refund.

The government established this program because it wants to reward low- and moderate-income workers who save for retirement. Not only do you receive up to \$1,000 off of your federal income taxes you owe, **(please customize if appropriate)** you also get an employer matching contribution of 50 percent of the money you put into your plan. In other words, if you save \$1.00, the government gives you 50 cents back, and your employer puts 50 cents into your account. Now that's free money.

### Tax Credit for Different Income Levels

Credit Rate	Adjusted Gross Income		
	Married Filing Jointly	Head of Household	All Other Filers
50% of your contribution	AGI not more than \$36,000	AGI not more than \$27,000	AGI not more than \$18,000
20% of your contribution	\$36,001 – \$39,000	\$27,001 – \$29,250	\$18,001 – \$19,500
10% of your contribution	\$39,001 – \$60,000	\$29,251 – \$45,000	\$19,501 – \$30,000
0% of your contribution	more than \$60,000	more than \$45,000	more than \$30,000