

**Fixing the Saver's Credit and
Other Ways to Help At-Risk Workers**
Catherine Collinson, Transamerica Center for Retirement Studies

EBRI-ERF Policy Forum: Retirement Policy Directions in 2017 and Beyond
May 11, 2017

Today's Presentation

- Transamerica Center for Retirement Studies®
- An In-Depth Review of the Saver's Credit
- A Few Words About Baby Boomers and Their Precarious Prospects
- In Conclusion
- Questions & Answers

Transamerica Center for Retirement Studies®

Mission

Nonprofit TCRS is dedicated to educating the public on emerging trends surrounding retirement security in the U.S. Its research emphasizes employer-sponsored retirement plans, including companies and workers, and the implications of legislative and regulatory changes.

Outreach Activities

- **Annual Transamerica Retirement Survey of Workers and Employers.** Now in its 17th year, it is one of the most comprehensive and widely referenced surveys of its kind. Annual thematic releases spotlighting specific segments of the population include:
 - Saver's Credit Guide
 - Women and Retirement report
- **Other Surveys** include Retirees survey in 2015 and an upcoming survey of unpaid Caregivers.
- **Educational Materials** have been designed for general public use.
- **ClearPath – Your Roadmap to Health & Wealth** bi-weekly radio show discusses issues related to retirement and financial literacy.

Audience includes employers, retirement providers and professionals, the general public, policymakers, academics, and the media.

Website: www.transamericacenter.org

Twitter: @TCRStudies

The screenshot shows the website's header with the logo "TRANSAMERICA CENTER FOR RETIREMENT STUDIES®" and navigation links for "About TCRS", "Contact Us", and a search bar. A "Follow @TCRStudies" button is also present. Below the header is a dark red navigation bar with links for "Center Research", "Legislative Ledger", "Tools and Resources", "ClearPath Podcast", and "Saver's Credit". Social media icons for Facebook, Twitter, and LinkedIn are visible. The main content area features a large banner for the "17th Annual Transamerica Retirement Survey of Workers" with the title "Perspectives on Retirement: Baby Boomers, Generation X, and Millennials". The banner includes a grid of eight diverse people's faces and a caption: "The 17th Annual Transamerica Retirement Survey provides perspectives on retirement of three unique generations - Baby Boomers, Generation X and Millennials. [Learn more.](#)". Below the banner is a "TCRS In the News" section with two articles: "04/18/17 - Plan Adviser - Gen X Faces Hurdles" and "04/09/17 - Philly Daily News - Seniors Joining the 'Gig'". The footer contains two columns of links: "Transamerica Center for Health Studies®" and "Transamerica Institute®".

THE SAVER'S CREDIT

IT PAYS TO SAVE FOR RETIREMENT

You may qualify for the Saver's Credit of up to **\$1,000 (\$2,000 if married filing jointly)** for contributions you make to a qualified retirement plan or IRA. And you have until **April 17, 2018** to make IRA contributions for 2017. Unlike a deduction, a credit is a dollar-for-dollar reduction of your federal income tax liability and this credit can reduce the amount you owe or increase your refund for taxes already paid.



1.



ARE YOU ELIGIBLE FOR THE CREDIT?

To claim the Saver's Credit for 2017, you must:

- Be age 18 or older,
- Not be a full-time student,
- Not be claimed as a dependent on another person's return, and
- Have an adjusted gross income of not more than: **\$62,000** if your filing status is married filing jointly; **\$46,500** if your filing status is head of household; or **\$31,000** if your filing status is single, married filing separately or qualifying widow(er).

2.



ARE YOUR 2017 CONTRIBUTIONS ELIGIBLE FOR THE CREDIT?

Eligible contributions include:

- Contributions to a traditional or Roth IRA, myRA, and
- Salary reduction contributions (including voluntary after-tax and designated Roth contributions) to your employer's 401(k), SIMPLE IRA, SARSEP, 403(b), 501(c)(18) or governmental 457(b) plan.

Rollover contributions aren't eligible for the Saver's Credit. Your eligible contributions for the credit may be reduced by any recent distributions you received from an employer-sponsored retirement plan or an IRA.

3.



AMOUNT OF THE CREDIT

The amount of the credit you can get is based on the contributions you make and your 'credit rate.' Your credit rate can be as low as 10 percent or as high as 50 percent, depending on your income and your filing status.

Use the 2017 **Form 8880, Credit for Qualified Retirement Savings Contributions**, to calculate and claim your credit. Use the **Form 1040, 1040A, or 1040NR** to file your taxes.

Note:

Is is not available on **Form 1040EZ**.

Saver's Credit Snapshot

Legislative History

- 2001-EGTRRA (sunset provision)
- 2006-PPA (made permanent)

Eligibility Requirements

- Age 18 or older
- Not a full-time student
- Not claimed as a dependent on another person's tax return
- Income (AGI) limits:
 - \$62,000 Married Filing Jointly
 - \$46,500 Head of Household
 - \$31,000 Single

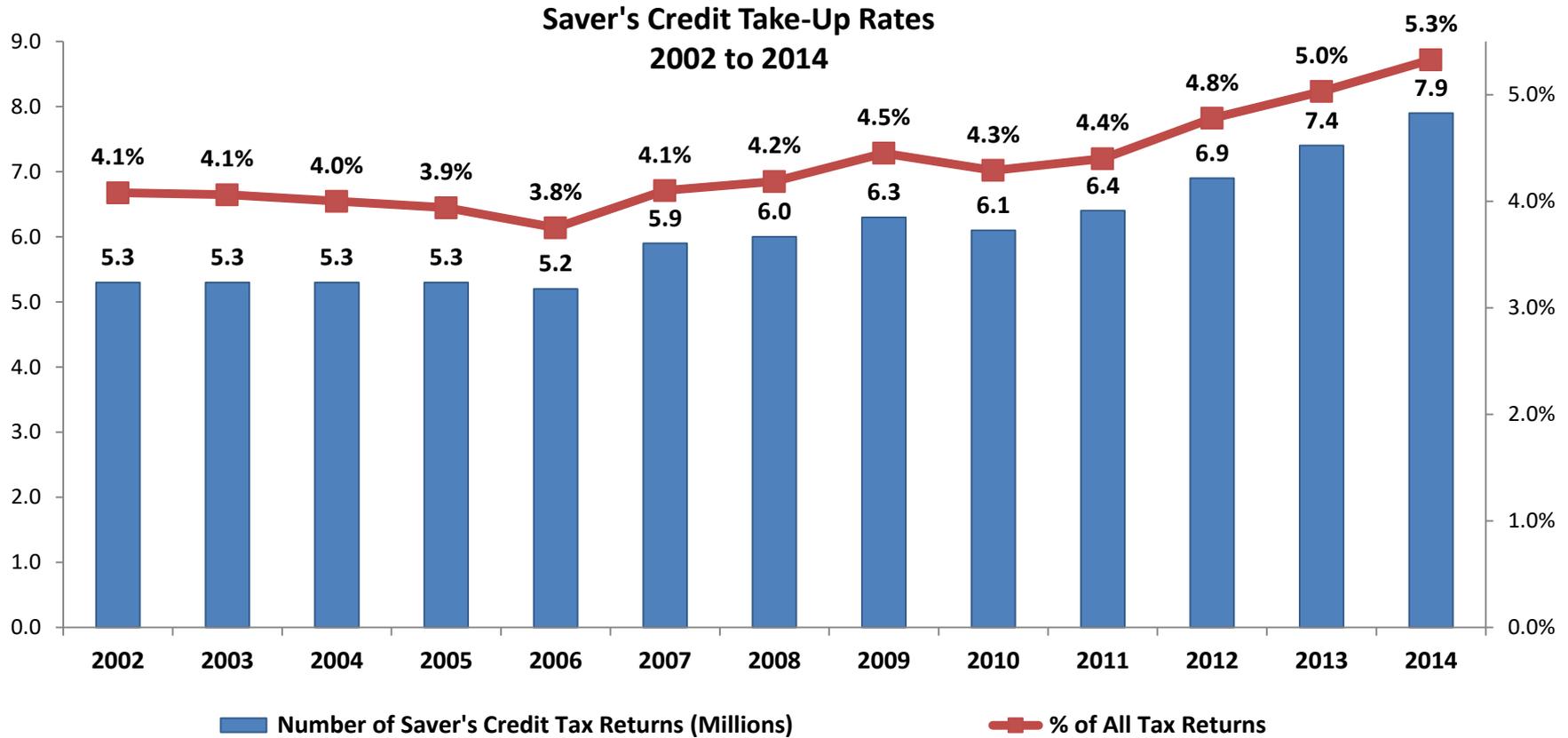
Credit Rates: 10%, 20% or 50%

Tax Forms: Form 8880 and Form 1040, 1040A and 1040NR

Who Are Most Likely to Benefit?

- Lower-income workers
- Part-time workers
- Women

Saver's Credit Take-Up Rates Have Increased



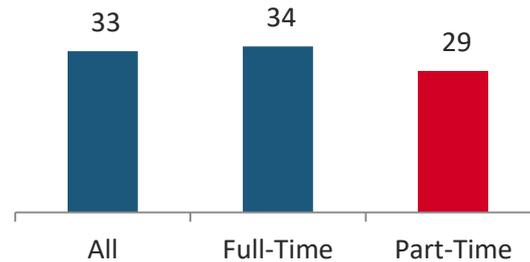
Annual Cost (\$B)	\$1.06	\$1.03	\$1.01	\$0.95	\$0.89	\$0.98	\$0.98	\$1.04	\$1.03	\$1.12	\$1.20	\$1.32	\$1.38
Average Amount	\$199	\$195	\$191	\$178	\$172	\$167	\$164	\$166	\$168	\$175	\$174	\$178	\$174

Source: TCRS analysis of IRS SOI Data, 2002 to 2014

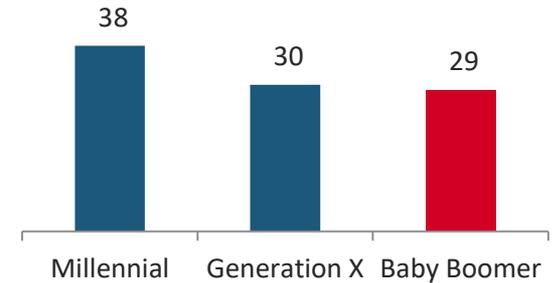
Worker Awareness of the Saver's Credit Is Low

TCRS finds that awareness of the Saver's Credit is generally low. However, it is even lower among those most likely to benefit from it, i.e., lower-income workers, part-time workers, and women. Increasing awareness can improve savings and take-up rates.

Employment Status (%)

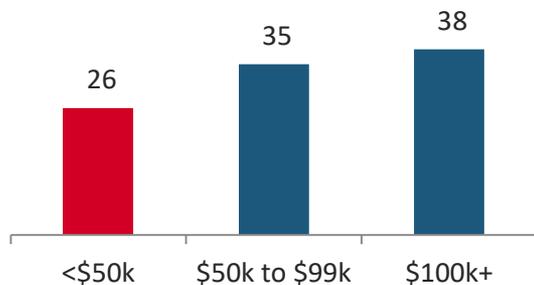


Generation (%)

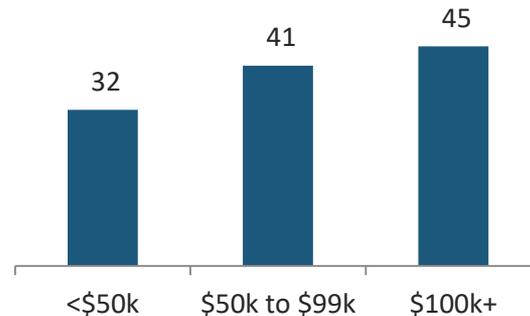


Household Income

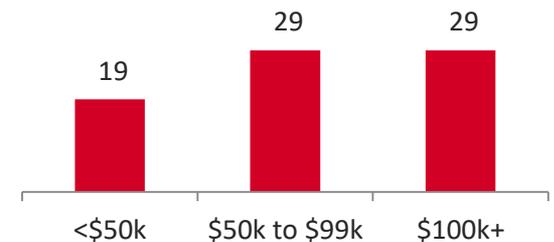
Workers (%)



Men (%)



Women (%)

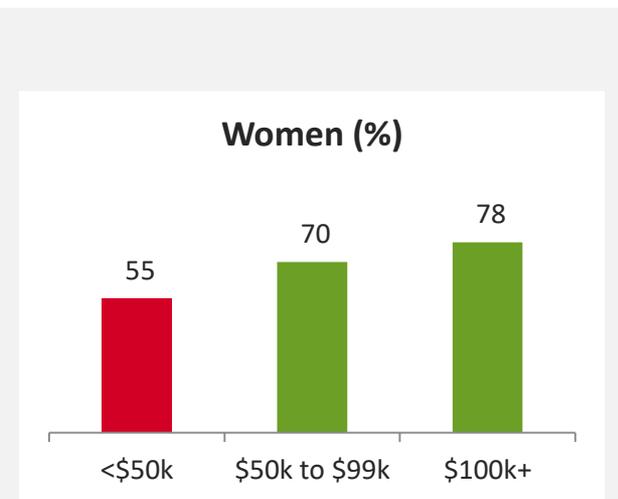
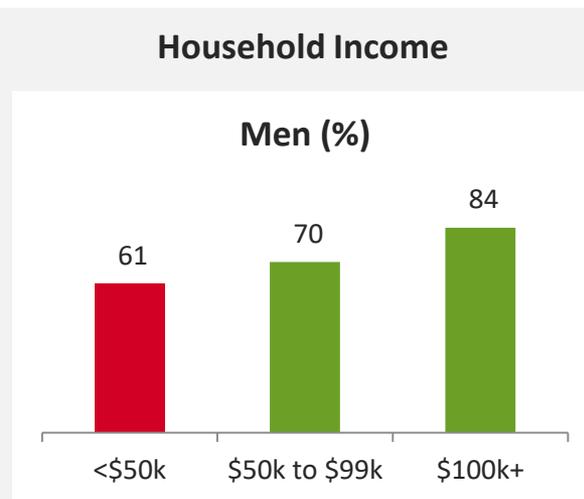
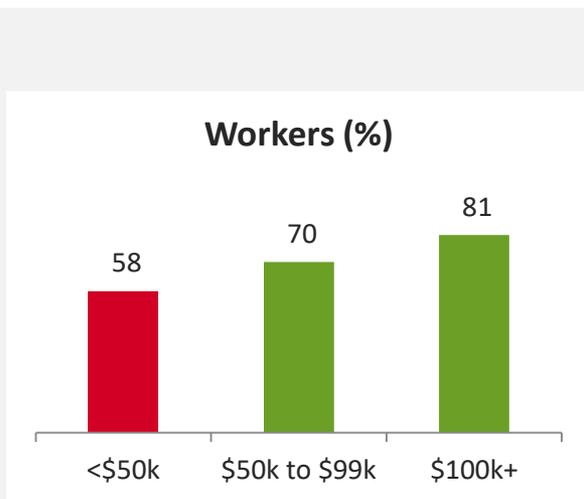
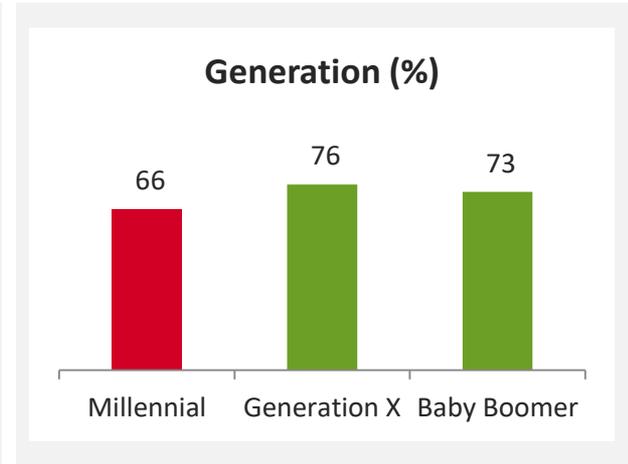
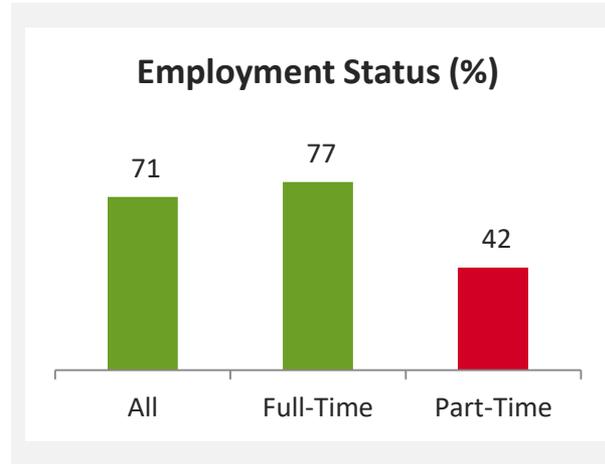


Survey findings highlighted in red fall below 30 percent.

Source: TCRS, 17th Annual Retirement Survey of Workers, 2016

Workers Who Are Offered a 401(k) or Similar Plan By Employer

TCRS also finds that the workers who are most likely to benefit the Saver's Credit (i.e., lower-income workers, part-time workers, women) are less likely to be offered a 401(k) or similar plan by their employers. Increasing access to workplace plans can also improve savings and Saver's Credit take-up rates.



Survey findings highlighted in red fall below 70 percent.

Source: TCRS, 17th Annual Retirement Survey of Workers, 2016

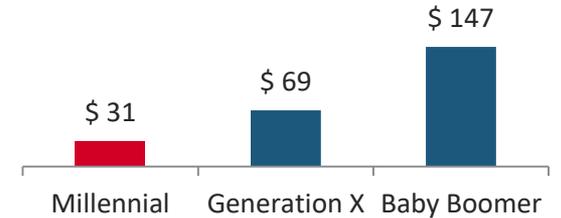
Workers' Total Household Retirement Savings

TCRS finds that workers' total household retirement savings (estimated median) is shockingly low among at-risk groups such as part-time workers, lower-income workers, and women.

Employment Status (\$000)

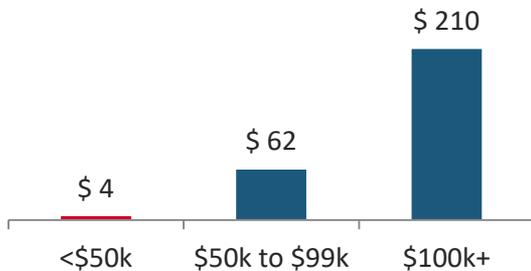


Generation (\$000)

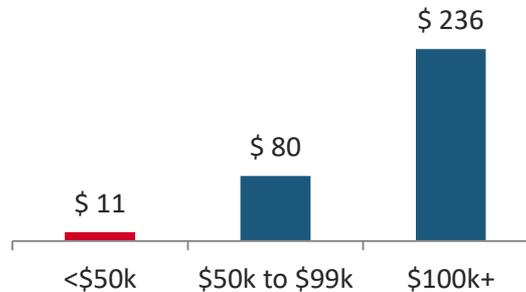


Household Income

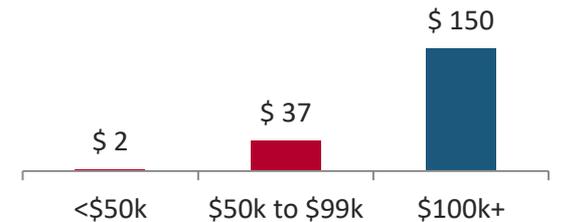
Workers (\$000)



Men (\$000)



Women



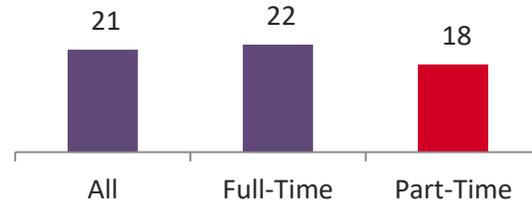
Survey findings highlighted in red fall below \$40,000 (estimated median).

Source: TCRS, 17th Annual Retirement Survey of Workers, 2016

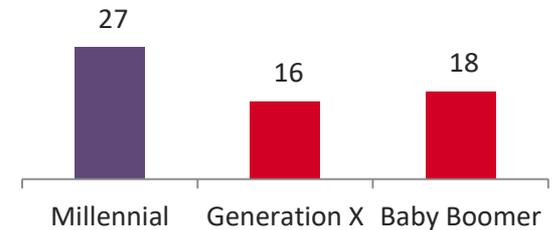
The New *myRA*: Worker Awareness is Still Low

In 2015, the U.S. Department of Treasury implemented the *myRA*, a simplified IRA designed for first-time savers and those who are not offered a 401(k) or similar plan by their employer. Workers who are more likely to benefit from *myRA* (i.e., lower-income, part-time, women) are least likely to be aware of it.

Employment Status (%)

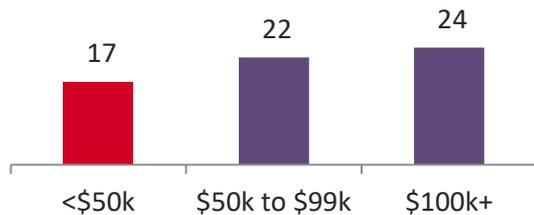


Generation (%)



Household Income

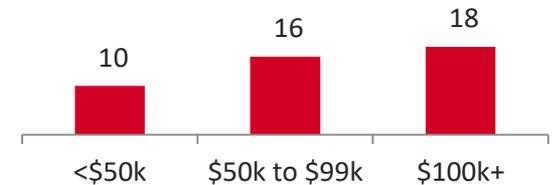
Workers (%)



Men (%)



Women (%)



Survey findings highlighted in red fall below 20 percent.

Source: TCRS, 17th Annual Retirement Survey of Workers, 2016

Fixing the Current Saver's Credit

1. Update messaging and positioning. Specifically, avoid use of the reference “low-to moderate-income” tax filers. Many who are potentially eligible may not self-identify as being such. Employers may be reluctant to promote it as such. Instead, simply refer to “eligible tax filers.”
2. Implementing an ongoing educational campaign to promote the Saver's Credit and how to claim it. Highlight related opportunities to facilitate savings including:
 1. The new *myRA*;
 2. The ability to deposit a portion of one's tax refund into an IRA or *myRA*; and,
 3. IRS' Free File program.
3. Encourage employers to promote the Saver's Credit among their employees.
4. Add to the Form 1040EZ.
5. Facilitate the depositing of the amount that a tax filer receives from the Saver's Credit into a retirement account.

How to Expand and Enhance the Saver's Credit

Four meaningful opportunities for enhancing and expanding the Saver's Credit so that more may be eligible and/or benefit, include:

1. Making the Saver's Credit refundable so that all savers who meet the income and eligibility requirements can fully benefit;
2. Simplifying and/or eliminating the non-income-related eligibility requirements;
3. Increasing the income requirements; and,
4. Simplifying and collapsing the current three credit rates within the income requirements into a single credit rate of 50 percent.

How You Can Help Promote the Saver's Credit

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Saver's Credit

The Saver's Credit

Learn More about the Saver's Credit and how it can help eligible taxpayers save for retirement.

THE SAVER'S CREDIT

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- ARE YOU ELIGIBLE FOR THE CREDIT?**
 - To claim the Saver's Credit for 2017, you must:
 - Be age 18 or older.
 - Not be a full-time student.
 - Not be claimed as a dependent on another person's return, and
 - Have an adjusted gross income of not more than **\$42,000** if your filing status is married filing jointly, **\$44,000** if your filing status is head of household, or **\$33,000** if your filing status is single, married filing separately or qualifying widow(er).
- ARE YOUR 2017 CONTRIBUTIONS ELIGIBLE FOR THE CREDIT?**
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 - Roll-over contributions are **not** eligible for the Saver's Credit. Your eligible contributions for the credit may be reduced by any recent distributions you received from an employer-sponsored retirement plan or an IRA.
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 - The amount of the credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10 percent or as high as 50 percent, depending on your income and your filing status.
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For more information, please visit www.irs.gov or www.transamericacenter.org

TELL A FRIEND ★ SAVE TODAY ★ CLAIM THE SAVER'S CREDIT

TRANSMERICA CENTER FOR RETIREMENT STUDIES

EL CRÉDITO DEL AHORRADOR

Usted puede calificar para recibir el Crédito del Ahorrador (Saver's Credit) de hasta **\$1,000 (o \$2,000 si es casado que presenta una declaración conjunta)** por las contribuciones que realice a un plan de jubilación calificado o a una cuenta de jubilación individual (IRA, por sus siglas en inglés). Tiene hasta el 17 de abril de 2018 para realizar contribuciones a la IRA para 2017. Siendo diferente que una deducción, A diferencia de una deducción, un crédito es una reducción dólar por dólar de su obligación en concepto de impuestos federales sobre los ingresos y este crédito puede reducir la cantidad que usted adeuda o aumentar su reembolso por los impuestos que ya pagó.

- ES ELIGIBLE PARA EL CRÉDITO?**
 - A fin de recibir el Crédito del Ahorrador para 2017, usted:
 - Debe tener 18 años de edad o más.
 - No debe ser un estudiante de tiempo completo.
 - No debe haber sido declarado como dependiente en el plan del empleador.
 - Debe tener un ingreso bruto ajustado que no sea mayor de **\$42,000** si su situación fiscal es casado que presenta una declaración conjunta, **\$44,000** si su situación fiscal es cabeza de familia o soltero, o **\$33,000** si su situación fiscal es soltero, casado que presenta una declaración separada o viudado que califica.
- SUS CONTRIBUCIONES DE 2017 SON ELIGIBLES PARA EL CRÉDITO?**
 - Las contribuciones elegibles incluyen:
 - Contribuciones a una cuenta IRA tradicional o Roth IRA, myRA, y
 - Contribuciones por reducción salarial (incluidas las contribuciones voluntarias después de impuestos y Roth designadas) a un plan del empleador 401(k), SIMPLE IRA, SARSEP, 403(a), 501(c)(18) o gubernamental.
 - Las contribuciones transferidas no son elegibles para el Crédito del Ahorrador. Sus contribuciones elegibles para el crédito pueden reducirse con cualquier distribución anterior que haya recibido de un plan de jubilación patrocinado por el empleador o una IRA.
- CANTIDAD DEL CRÉDITO**
 - La cantidad del crédito que puede obtener se basa en las contribuciones que realice y su "tasa de crédito". Dicha tasa puede ser de hasta el 50 por ciento, según su ingreso y su situación fiscal.
 - Utilice el Formulario 8880 de 2017, Crédito por Contribuciones Calificadas a Ahorro para la Jubilación Credit for Qualified Retirement Savings Contributions, para calcular y reclamar su crédito. Use el Formulario 1040, 1040A o 1040NR para declarar sus impuestos.
 - Note, el crédito no es reembolsable disponible con el Formulario 1040EZ.

Para obtener más información, visite www.irs.gov o www.transamericacenter.org

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The Saver's Credit

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Are your 2017 contributions eligible for the credit?

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¿Es elegible para el crédito?

A fin de recibir el Crédito del Ahorrador para 2017, usted:

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- Debe tener un ingreso bruto ajustado que no sea mayor de **\$42,000** si su situación fiscal es casado que presenta una declaración conjunta, **\$44,000** si su situación fiscal es cabeza de familia o soltero, o **\$33,000** si su situación fiscal es soltero, casado que presenta una declaración separada o viudado que califica.

¿Sus contribuciones de 2017 son elegibles para el crédito?

Las contribuciones elegibles incluyen:

- Contribuciones a una cuenta IRA tradicional o Roth IRA, myRA, y
- Contribuciones por reducción salarial (incluidas las contribuciones voluntarias después de impuestos y Roth designadas) a un plan del empleador.

Las contribuciones transferidas no son elegibles para el Crédito del Ahorrador. Sus contribuciones elegibles para el crédito pueden reducirse con cualquier distribución anterior que haya recibido de un plan de jubilación patrocinado por el empleador o una IRA.

Cantidad del crédito

La cantidad del crédito que puede obtener se basa en las contribuciones que realice y su "tasa de crédito". Dicha tasa puede ser de hasta el 50 por ciento, según su ingreso y su situación fiscal.

Utilice el Formulario 8880 de 2017, Crédito por Contribuciones Calificadas a Ahorro para la Jubilación Credit for Qualified Retirement Savings Contributions, para calcular y reclamar su crédito. Use el Formulario 1040, 1040A o 1040NR para declarar sus impuestos.

Note, el crédito no es reembolsable disponible con el Formulario 1040EZ.

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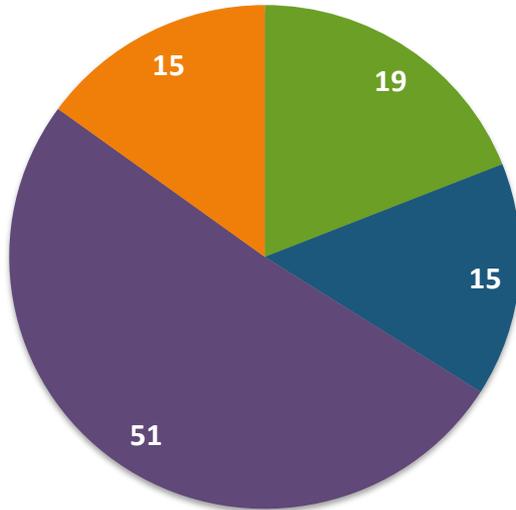
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A Few Words About Baby Boomers and Their Precarious Prospects

Baby Boomers Expect to Retire Past 65 and Keep on Working

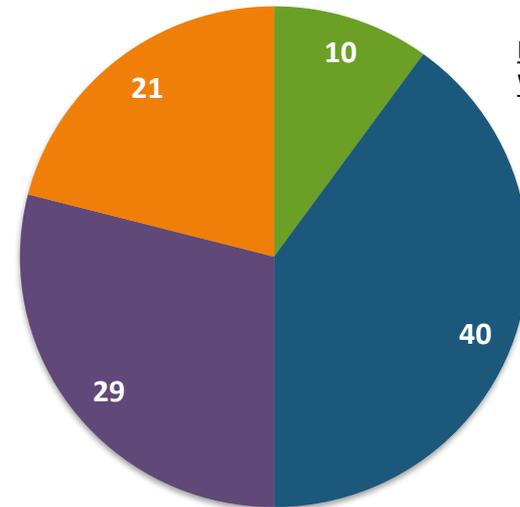
At what age do you expect to retire? (%)

**NET – After Age
65 or Do Not
Plan to Retire:
66%**



Do you plan to work after you retire? (%)

**NET – Plan to
Work: 50%**

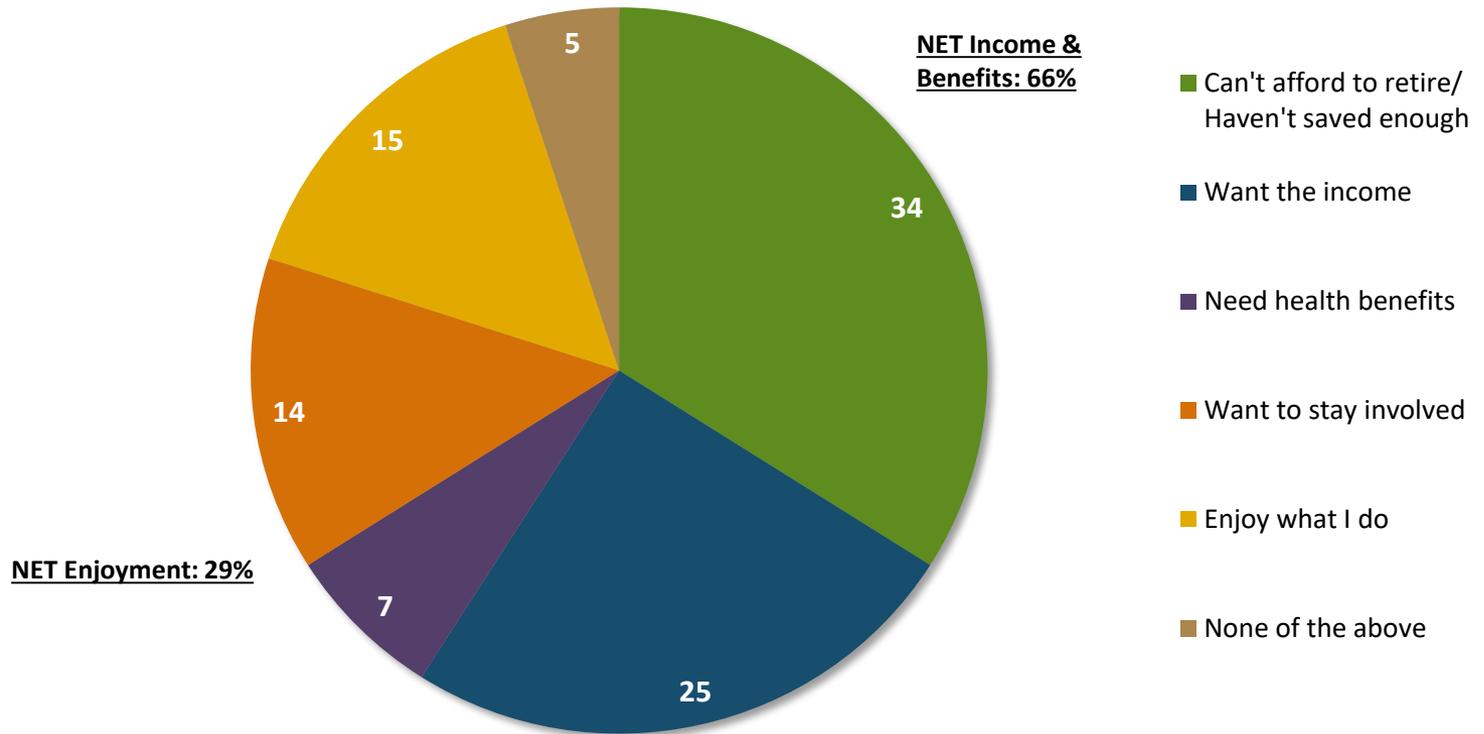


■ Before Age 65 ■ At Age 65 ■ After Age 65 ■ Do Not Plan to Retire

■ Yes, Full-Time ■ Yes, Part-Time ■ No, Do Not Plan to Work ■ Not Sure

Baby Boomers' Reasons for Working Are Need and Enjoyment

Main Reason for Working Past Age 65 and/or After Retirement (%)



A Reality Check: Most Workers Aren't Working at Age 65 or Older

**Retirement Age
Among Retirees
(Median)**

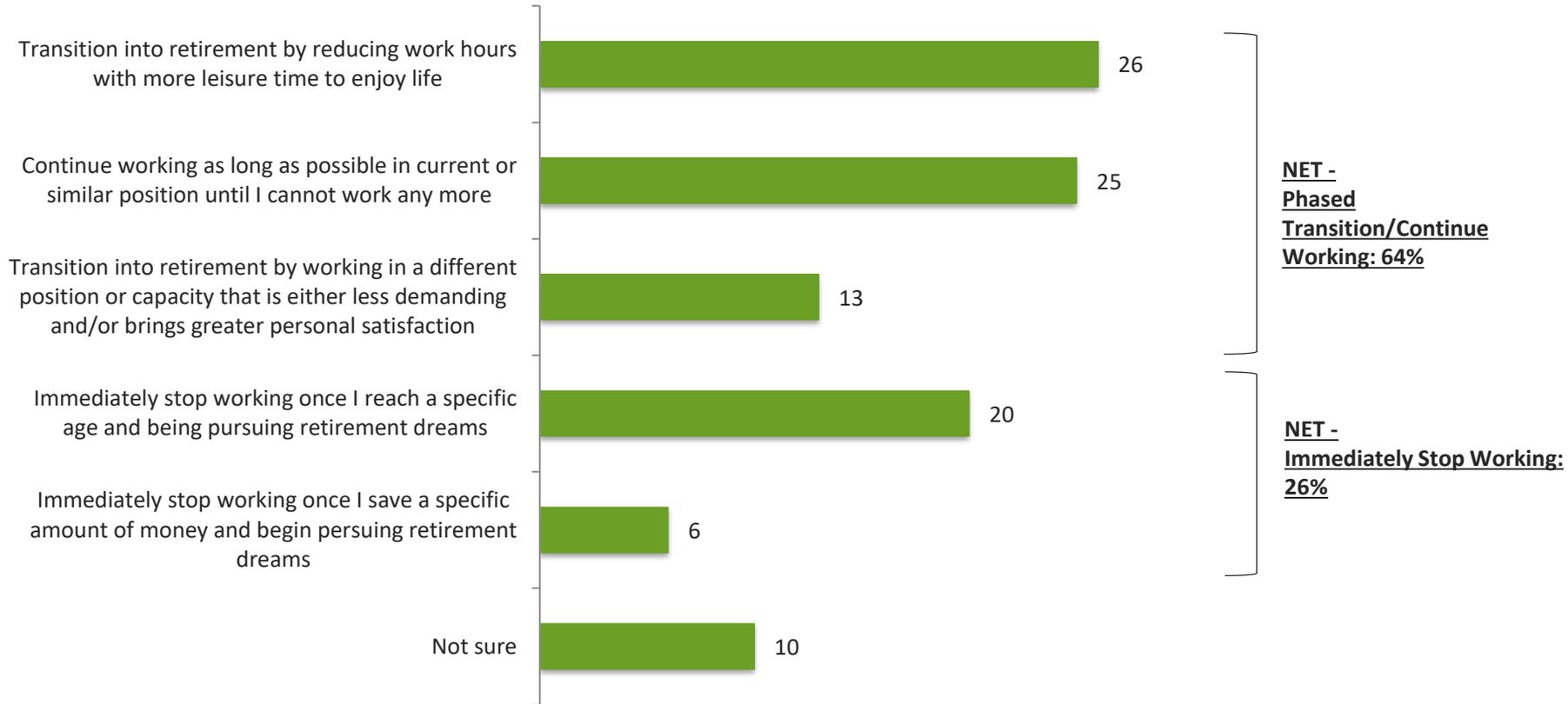
62

**Percent Employed
Age 65 to 74
2016**

26%

How Baby Boomers Envision Their Retirement Transition

How do you envision transitioning into retirement? (%)



The Challenge: Employers Do Little to Facilitate Phased Retirement

Which of the following ways, if any, does your current employer help its employees who are transitioning into retirement? (%)

Baby Boomers



BASE: ALL QUALIFIED RESPONDENTS

Q1533. In which of the following ways, if any, does your current employer help its employees who are transitioning into retirement? Select all.

How Public Policy Can Help Older Workers

Many older workers want and need to continue working past traditional retirement age. However, few employers have practices in place to support them. Anecdotally, employers may be reluctant to adopt phased retirement programs due to concerns about potential liability. Public policy and guidance may be needed.

Specific opportunities to promote continued employment among older workers include:

1. Assess current labor laws and identify impediments to employers offering phased retirement
2. Create incentives and/or remove disincentives for employers to retain older workers
3. Further promote the available job training / re-training programs that are available

In Conclusion

Promoting awareness is absolutely critical to success ...

Whether fixing or expanding the Saver's Credit, inspiring first-time savers to open a *myRA*, or implementing any other new programs or reforms to enhance retirement security, success ultimately depends on whether people know about it. Without widespread awareness, the very best solutions can flounder, fizzle or fail.

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