



# RETIREMENT PLAN Update



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## The Saver's Credit: Tax credit for IRAs and retirement plans

### What is the Saver's Credit?

The Economic Growth and Tax Relief Reconciliation Act of 2001 made significant changes to IRAs and retirement plans. One provision of the act allows some low- and middle-income taxpayers to claim a partial, nonrefundable income tax credit (the Saver's Credit) for contributing to certain tax-deferred retirement savings vehicles. The credit can be applied against the taxpayer's regular income tax liability (or minimum tax liability, if paying under the alternative minimum tax system) and is in addition to any income tax deduction the taxpayer receives for making the contribution. The purpose of this provision is to encourage retirement savings among those who, typically, can least afford to save.

### What retirement savings vehicles are eligible for the tax credit?

The tax credit is available for elective contributions made to traditional IRAs, Roth IRAs and the following employer-sponsored retirement plans: Section 401(k) plans, Section 403(b) annuities, Section 457(b) plans, SIMPLE plans and SEP plans. Voluntary after-tax employee contributions

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made to a qualified retirement plan also qualify for the credit.

Who is eligible for the tax credit?

Not everyone who contributes to the retirement savings vehicles mentioned previously is eligible for the tax credit. To claim the credit, you must be at least 18 years old and not a full-time student or claimed as a dependent on another taxpayer's income tax return. In addition, there are income requirements that must be met. If you and your spouse file a joint income tax return, you can claim the credit for 2025 only if your combined adjusted gross income (AGI) for the year is \$79,000 or less. If you file as head of household, you can claim the credit only if your AGI is \$59,250 or less. Finally, if you file as an unmarried taxpayer or married filing separately, you can claim the credit only if your AGI is \$39,500 or less.

How much is the tax credit?

The maximum annual contribution eligible for the tax credit is \$2,000 and the maximum credit rate is 50% of the

2025 credit rates based on AGI and filing status

Credit rate	Joint filers	Head of household	Single filers
50% of contribution (up to \$2,000)	\$0–\$47,500	\$0–\$35,625	\$0–\$23,750
20%	\$47,501–\$51,000	\$35,626–\$38,250	\$23,751–\$25,500
10%	\$51,001–\$79,000	\$38,251–\$59,250	\$25,501–\$39,500
0%	Over \$79,000	Over \$59,250	Over \$39,500

amount contributed. This means that the maximum possible credit that a taxpayer could receive in one year is \$1,000. However, not everyone who qualifies for the credit will be able to claim the full credit. The specific amount of your credit (if any) in any year will depend on three factors: your AGI for the year, your income tax filing status for the year and the amount of your IRA or retirement plan contribution for the year. The 2025 table above provides the credit rates based on AGI and filing status.

Finally, be aware that the amount of any contribution eligible for the credit may be reduced by any

taxable distributions that you and your spouse receive from any of the retirement savings vehicles mentioned previously (or from any other qualified retirement plan). This reduction applies to distributions received during the same tax year that the credit is claimed, the two tax years prior to the tax year that the credit is claimed, and during the period after the end of the tax year and prior to the due date for filing your tax return for the year. In the case of a Roth IRA, this rule applies to any distributions received, whether taxable or nontaxable.



## How and when to enroll in Medicare

There are various parts of Medicare to consider when it's time for enrollment.

Medicare is the federal government program that provides health insurance for people over 65. Original Medicare includes Part A and Part B. Part A provides hospitalization insurance to qualified applicants over the age of 65. Part B helps cover medical services, including appointments with a doctor, medical tests and medical equipment. You can join a separate Medicare drug plan to get Medicare drug coverage (Part D). Medicare Advantage (also known as Part C) offers an alternative to original Medicare for health and drug coverage.

### How to enroll in Medicare

If you are collecting Social Security at least four months before you turn age 65, you will automatically get Part A and Part B coverage at age 65. You can add drug coverage by choosing to join a Medicare drug (Part D) plan and also add supplemental Medigap coverage if desired. You'll also have the option of joining a Medicare Advantage plan instead of Original Medicare.

If you apply for Medicare on your own, your first chance to sign up is during your initial enrollment period, which

begins three months before the month you turn 65 and ends three months after the month you turn 65. Here's how the seven-month window works:

- Sign up before the month you turn 65 and your coverage will begin the month you reach age 65
- Enroll in the month you turn age 65 or during the three months after and your coverage will begin on the first of the following month

If you miss the deadline, you will have to wait for the next general enrollment period—January 1 to March 31—to sign up. For example, if you turned 65 in June 2025 and you had not applied for Medicare by the end of September, you could not enroll until January 2026, and your coverage would not begin until February 2026. You might have to pay a monthly late enrollment penalty.

### What if you work past age 65?

What if you have an employer-provided health insurance plan through your job (or your spouse's job)? In this particular situation, you may opt to hold off applying for Part B coverage until you need it. You won't have to pay a late enrollment penalty



if you sign up within eight months after the group health plan coverage or employment ends, whichever happens first. The optimal time to buy Medigap insurance is within the first six months after you begin coverage under Medicare Part B. Insurance companies are required to sell you the policy you want during that period. That's crucial if you have a preexisting condition.

Medicare is complex and navigating it can be difficult. You may want to consult a financial professional for assistance.



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