Wise Choices

Empower yourself

You are responsible for your future financial well-being. It's possible that you may strike it rich with a lottery win or inherit a fortune from a long-lost relative. Possible, but not realistic or likely. The reality is that it's up to you to make the most of the opportunities that are available to you to save for your retirement. You'll get the most out of these opportunities if you learn all you can about your retirement plan and understand some basic investing concepts.

Know your plan

Make a point of understanding exactly how much you can contribute to your retirement plan each year, the size of your employer's matching contribution (if offered), and when you are allowed to change your contribution amount. Learn about your plan's vesting requirements and its provisions relating to loans and hardship withdrawals.

Understand your investments

Your plan gives you a broad choice of investments and helpful information about each one. The more you know about investments and investing, the better decisions you are likely to make. So, be prepared to commit a little time to learning as much as you can about the investments offered by your plan. Read up on what diversification, asset allocation and investment risk are and apply the lessons you learn to your retirement planning.

The Saver's Tax Credit—can you benefit?

It's not always easy to keep contributing to your employer-provided retirement plan. Bills and unexpected expenses can eat up most of your salary, leaving little for retirement savings. You might be tempted to forget about it until you start earning more money.

But before you stop or cut back (or never start) contributing to your plan, understand that you could be entitled to a federal tax credit called the Retirement Savings Contributions Credit, or Saver's Credit, if you meet certain income requirements. In effect, the credit repays a percentage of the contributions you make to your 401(k) or other retirement savings plan by reducing your income tax liability for the year. It may be just the thing that enables you to keep participating in your retirement plan or increase your contributions.

What it is

The credit is a percentage—50%, 20% or 10%—of up to $2,000 in qualified retirement savings contributions for a maximum credit of $1,000 (or twice that amount for a married couple filing jointly who each contribute $2,000). The percentage depends on adjusted gross income (AGI) and filing status. The credit is available for contributions to a 401(k), 403(b), governmental 457(b), SIMPLE IRA or salary reduction SEP as well as for traditional and Roth IRA contributions.

To claim the credit, you must be at least age 18, not claimed as a dependent on another person's return, and not a full-time student. You will not be able to claim the credit if your AGI exceeds the top of the range for the 10% credit.

Table

Tax filing status	2019 tax credit 50% of contribution	20% of contribution	10% of contribution	Not eligible for credit
Married filing jointly (AGI)	Not more than $38,500	$38,501 – $41,500	$41,501 – $64,000	More than $64,000
Head of household (AGI)	Not more than $28,875	$28,876 – $31,125	$31,126 – $48,000	More than $48,000
All other filers* (AGI)	Not more than $19,250	$19,251 – $20,750	$20,751 – $32,000	More than $32,000

* Single, married filing separately or qualifying widow(er).
Source: IRS.gov.

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Investment in securities is not without risk.

Diversification and asset allocation does not ensure a profit or protect against losses in a declining market. Strategic (long-term) asset allocation strategies will differ among investors based on their individual circumstances, risk tolerance, return objectives and time horizon.

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