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—embarking on a new career? It's not too early to start saving for retirement. In fact, it's generally recommended that you begin retirement planning once you're ...

Feb. 03, 2021



Are you or someone in your family—say, a child who recently graduated from college—embarking on a new career? It's not too early to start saving for retirement. In fact, it's generally recommended that you begin retirement planning once you're entrenched in your first job.

Fortunately, the tax law provides some help in the form of a “retirement saver’s credit.” Subject to certain limits, you can claim this credit on the 2020 tax return you’ll be filing in 2021.

The retirement saver's credit is available for the first \$2,000 of voluntary

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- Contributions made to an ABLE account for which you are the designated beneficiary (beginning in 2018).

The amount of the credit is 50

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10% of your contribution	\$43,001 - \$66,000	\$52,251 - \$49,500	\$21,501 - \$33,000
0% of your contribution	more than \$66,000	more than \$49,500	more than \$33,000

*Single, married filing separately, or qualifying widow(er)

2020 Saver's Credit

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$39,000	AGI not more than \$29,250	AGI not more than \$19,500
20% of your contribution	\$39,001 - \$42,500	\$29,251 - \$31,875	\$19,501 - \$21,250
10% of your contribution	\$42,501 - \$65,000	\$31,876 - \$48,750	\$21,251 - \$32,500
0% of your contribution	more than \$65,000	more than \$48,750	more than \$32,500

*Single, married filing separately, or qualifying widow(er)

Source: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>

This tax credit has often flown under the radar in the past. For instance, it may be overlooked or not known by wage-earners fresh out of school. But any taxpayer may qualify for the credit if he or she meets these three requirements.

1. The taxpayer claiming the credit is at least 18 years old.

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