Government Trying to Make It Easier to Save for Retirement
By Carole Feldman, Associated Press

Saving for retirement might seem like a luxury to Americans living paycheck to paycheck, but the government is trying to make it a bit easier.

The saver's — or retirement savings contributions — credit is sometimes overlooked. Aimed at low- and moderate-income workers, the credit "helps offset part of the first $2,000 workers voluntarily contribute to IRAs and 401(k) plans and similar workplace retirement programs," the Internal Revenue Service says.

The credit is on top of the allowable reduction in income on tax returns for contributions to qualified retirement plans.

"It's one of the few times that the law lets you double dip," said Barbara Weltman, a consultant and author of books on taxes, law and finance. "You get two benefits for the price of one."

As with many other tax credits or deductions, the saver's credit phases out as incomes become higher. For single taxpayers, the credit phases out at $30,500, at $61,000 for married couples filing jointly, and at $45,750 for heads of households.

In addition to the income requirements, a person has to be at least 18. Taxpayers who were full-time students in 2015 or could be claimed as a dependent on another person's tax return are not eligible.

To claim the credit, fill out Form 8880.

"Like other tax credits, the saver's credit can increase a taxpayer's refund or reduce the tax owed," the IRS says. It cautioned, though, that the credit often is less than the maximum $1,000 for single filers or $2,000 for married couples filing jointly because of other deductions and credits claimed.

Kathy Pickering, executive director of the Tax Institute at H&R Block, said the company is working to determine what it would take to get people to save.

"While oftentimes low-income people do understand and want to save for retirement, their economic situation makes it very difficult," she said.

Joseph Perry, partner in charge of the tax and business services at Marcum LLP, points to another reason why people might not have had an incentive to save: low interest rates. But with the Federal Reserve indicating interest rate increases in 2016, "it's possible we'll see some better returns. We might see more people willing to save."

There's still time to contribute to an IRA and have it impact your 2015 taxes; the deadline is April 18, the same as the deadline for filing your tax return.

Another federal program aimed at getting people to save for retirement is myRA, which was created by President Obama a year ago. The program targets people who don't have a 401(k) or other retirement plan at work.

"myRA is designed to remove common barriers to saving, and give people who want to save an easy way to get started," U.S. Treasury Secretary Jacob Lew said in a statement on the program's website. "myRA has no fees, no complicated investment options, no risk of losing money, and no minimum balance or contribution requirements."

According to the Treasury Department, people can contribute through an employer, through contributions from a bank account, or by directing all or part of their tax refund to their myRA account.

Contributions are limited to $5,500 per year, or $6,500 per year for those over 50. The money is invested in U.S. Treasury retirement savings bond and will earn interest until the value of the account reaches $15,000 or you have held it for 30 years. The account can be rolled over to a Roth IRA at any time.

"It's kind of a cool program for someone who is just getting started but maybe understands the value of savings," Pickering said.