

## Retirement Savings Tax Credit LA DEFERRED COMPENSATION

Now You Can Save More for Tomorrow

Are you aware that federal tax law offers certain retirement plan participants a tax credit to help save for tomorrow by reducing your taxes today? Tax credits are designed to directly reduce the amount of federal income tax you have to pay each year. With less money owed to the federal government, there may be room to start saving for retirement—or to increase your current savings efforts.

The amount of credit depends on your adjusted gross income and your filing status (e.g., single, married, head of household). Your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income and filing status. Adjusted gross income is your annual income after before-tax retirement contributions and certain other items are removed. It is calculated before reductions for standard or itemized deductions and personal exemptions.

Single Filer Adjusted Gross Income¹	Head of Household Adjusted Gross Income <sup>1</sup>	Married, Filing Jointly Adjusted Gross Income <sup>1</sup>	Maximum Tax Credit Rate²
\$0-\$16,500	\$0-\$24,750	\$0-\$33,000	50%
\$16,501-\$18,000	\$24,751-\$27,000	\$33,001-\$36,000	20%
\$18,001-\$27,750	\$27,001-\$41,625	\$36,001-\$55,500	10%

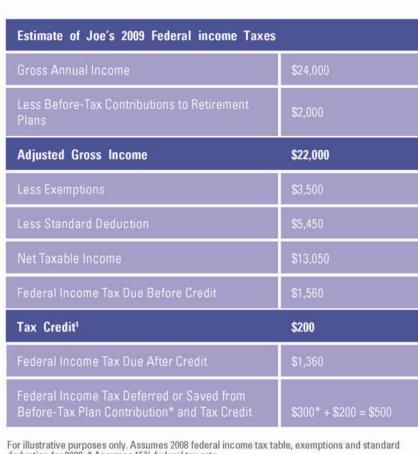
## Figuring Your Tax Credit<sup>3</sup>

As you can see from the table above, the tax credit is directly related to your income level. For example, let's say Joe is a single filer earning \$24,000, saving for retirement and has no other income. If he contributed \$2,000 to his plan, his adjusted gross income would be \$22,000. His tax credit rate would be 10% and his tax credit would be \$200 (10% of \$2,000).4

In addition to the \$200 tax credit, Joe saves \$300 in current federal income tax, assuming a 15% tax rate, by contributing to his plan on a pre-tax basis. His total amount saved or tax deferred is \$500!

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deduction for 2008. \* Assumes 15% federal tax rate.

## Need More Information?

To learn more about the tax credit, you should consult your tax advisor or visit www.irs.gov and search for "Saver's Credit" or Form 8880.1

> Visit your plan Web site at www.louisianadcp.com or call KeyTalk® at (800) 701-8255

- 1 Adjusted gross income limits are indexed for inflation in \$500 increments beginning in 2007, and shown for 2009 taxable year.
- 2 This percentage is multiplied by the amount of your annual contribution or \$2,000, whichever is less. The maximum tax credit is \$1,000 for each contributing individual. If you and your spouse both contribute to a retirement plan and you file a joint income tax return, the maximum tax credit is \$2,000.
- 3 Great-West Retirement Services® does not provide tax or legal advice. Consult your tax professional.
- 4 Joe will not be eligible for a tax credit if he is not 18 years of age or older, is a full-time student or can be claimed as a dependent on someone else's tax return. Additional limitations and eligibility requirements may apply. Please consult your tax professional. 5 Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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