



Make The Tax Code Work For You

Saving For Retirement Can Save Money On Your Taxes, Too

Your employer's retirement plan is more than a tool for saving for the future. It also can help you reduce your taxes — now.

Qualified retirement plans offer two important tax advantages:

1. You can receive a tax credit for a portion of your savings, depending on your income.
2. The contributions you make to a traditional retirement plan are deducted from your check before taxes.

For more information on the tax benefits of saving for your retirement, please call us at 800.858.5420.

Tax Credits For Retirement Plan Participants¹

The chart below shows the percent of your contribution (up to \$2,000) you are eligible to receive as a tax credit based on your annual adjusted gross income and tax filing status. See the IRS website for filing instructions.²

Tax credit	Married, filing jointly	Head of household	All other filers
50%	\$0 – \$34,000	\$0 – \$25,500	\$0 – \$17,000
20%	\$34,001 – \$36,500	\$25,501 – \$27,375	\$17,001 – \$18,250
10%	\$36,501 – \$56,500	\$27,376 – \$42,375	\$18,251 – \$28,250
0%	More than \$56,500	More than \$42,375	More than \$28,250

The Retirement Savings Contributions Credit

The Pension Protection Act of 2006 made permanent the federal tax credit offered to retirement plan participants. Under this law, you can qualify for a tax credit of up to 50 percent of your contribution to your retirement plan or IRA, depending on your income. See the chart above for specific tax credit information.

If you file your taxes individually, have an income of \$28,250 or less and take no distributions during the testing period,³ you can earn a tax credit for the first \$2,000 you contribute. The maximum credit allowed to an individual is \$1,000 (\$2,000 x 50 percent).

A married couple filing jointly with an income of \$34,000 can receive a tax credit of \$2,000 if they each make qualifying contributions totaling at least \$4,000 and take no distributions during the testing period.

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¹ The participant must be over the age of 18 and cannot be a full-time student or a dependent.

² The annual adjusted gross income limits will be adjusted for inflation. These limits are valid for 2011.

³ The testing period is the tax year for which the credit is claimed, the two preceding tax years, and the period before the due date for filing your return for that tax year. Distributions that are not taxable because they are rolled over do not reduce the credit.

Tax-deferred Contributions

If you contribute to a traditional retirement plan, your contributions are made before taxes. Your taxable income will be reduced by the full amount you contribute, up to the IRS limit. So, if you earn \$33,000 and contribute \$4,000 to your plan, your taxable income will be no more than \$29,000.

Because they are deducted before taxes, traditional contributions reduce your take-home pay by less than the actual amount you set aside for retirement. You do not owe taxes on your savings until you withdraw from your account.

This is a non-refundable tax credit. The maximum credit can be no more than the amount you would otherwise pay in taxes.

The Real Out-of-pocket Cost

These tax advantages can make the real cost of saving for your future much less than the amount you actually invest. Maximize your savings today and make your plan and the tax code work for you. To determine how the tax laws affect your specific situation, consult your tax advisor.

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