



# Action Plan:

## CHECK YOUR OPTIONS TO SAVE FOR RETIREMENT

Making the decision to save for retirement is an important step to start on the path to a secure financial future. Most people can usually select from several tax-advantaged options to save for retirement, sometimes at the same time. Here's a list of ways you can save to help you make the most of your options.

### DIFFICULTY:

EASY

### WHAT YOU'LL NEED:

- Calculator
- Your financial statements and records
- Spending Plan Worksheet

- 1 Participate in a retirement-savings plan at work.** This is usually the easiest way to save for retirement. If you have an “automatic” retirement plan, the money is invested automatically in the plan, before your pay is taxed, which helps stretch your savings. Contributing \$300 per paycheck to an employer-sponsored plan like a 401(k), 403(b) or 457; the Thrift Savings Plan (TSP); or other retirement-savings plan lowers your take-home pay by just \$225 if you are in the 25 percent tax bracket.

If you do not have an automatic retirement plan, you may have to actively join the plan, so make sure you familiarize yourself with your options. Members of the military must elect to participate in the TSP and can generally contribute up to \$18,500 plus an extra \$6,000 if you're 50 or older—to the [TSP in 2018](#), or can boost their contributions up to \$55,000 for the year while receiving tax-exempt pay in a combat zone. The TSP has very [low fees](#)—about 38 cents a year for every \$1,000 invested—and the money grows tax-deferred until it's withdrawn in retirement.

- 2 Contribute to a Roth IRA if you qualify.** In addition to contributing to a TSP, 401(k) or other employer-sponsored retirement-savings account, you can also contribute up to \$5,500 to a [traditional or Roth IRA](#) (or \$6,500 if 50 or older) in 2018. If you qualify for a Roth IRA, consider whether to contribute some money to the Roth account before you max out your employer's plan because a Roth IRA has different tax benefits. In a Roth IRA, you don't get a current tax break, but you can withdraw the money tax-free in retirement. You can also withdraw your contributions penalty- and tax-free at any time.

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You can only contribute to a Roth IRA, however, if your adjusted gross income in 2018 is less than \$135,000 if single or \$199,000 if married filing jointly (the size of the Roth contribution starts to phase out if you earn more than \$120,000 if single or \$189,000 if married filing jointly). Members of the military who are serving in a combat zone get an extra boost from a Roth IRA because the money goes into the account tax-free and comes out tax-free too. You can open an IRA with a mutual fund company, bank, credit union or brokerage firm and can invest in funds, stocks and other investments. Compare fees and investment choices when choosing an IRA administrator.

Visit [SaveAndInvest.org](https://www.saveandinvest.org) for more tools and tips about Managing Your Money With Confidence.

**3 Save extra money for your non-working spouse.** If your spouse is not working, you can still contribute to a traditional or Roth IRA on his or her behalf. In 2018, you can contribute up to \$5,500 to your own IRA and up to \$5,500 to your spouse's IRA (plus an extra \$1,000 each if age 50 or older), as long as you earned at least as much from a job for the year as the combined IRA contributions. The income limits to contribute to a spousal Roth IRA are the same as they are for any Roth—the adjusted gross income on your joint tax return must be less than \$199,000 in 2018.

**4 Claim an extra tax credit if you can.** You may get an additional tax break for contributing to an IRA, 401(k), TSP, 403(b) or other retirement-savings plan, which could help you afford to save a bit more. You can qualify for the retirement savers' tax credit, which can reduce your tax bill by up to \$1,000, if your adjusted gross income in 2018 is:

- \$31,500 or less if single;
- \$47,250 or less if filing head of household; or
- \$63,000 or less if married filing jointly.

The credit is worth 10 to 50 percent of the first \$2,000 you contribute for the year to a retirement-savings plan, with the highest contribution limits for people with the lower income levels.

See [IRS Form 8880](#) for details.

Now that you have an idea of how to start saving for retirement, it's also important to find out how much you will need to live during retirement. Go to the [Calculate How Much You'll Need for Retirement](#) Action Plan for the steps to figure out what that amount will be.