



Retirement Plan Tax Breaks Discussed by Ben Grosz

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"Five Tax Mistakes Salaried Workers Make"

By Chuck Epstein

January 27, 2016

Contributing to an employer-sponsored retirement account is every worker's no-brainer deduction.

"One of the biggest tax mistakes made by average salaried workers is failing to take full advantage of the many valuable retirement tax incentives or worse, not participating at all in the plan," said Benjamin L. Grosz, an attorney who works with clients on tax planning at Ivins, Phillips & Barker in Washington, D.C.

If your employer offers a 401k and 403(b) retirement plan, you will get the biggest tax break if you participate to the maximum amount allowed. For both 2015 and 2016, the maximum allowed contribution is \$18,000 per worker. You can contribute an extra \$6,000 in "catch-up" contributions if you are 50 or older.

But, if your employer does not offer a workplace retirement plan, consider contributing to a traditional or Roth IRA. The maximum contribution amounts in both 2015 and 2016 are \$5,500 (\$6,500 if you are 50 or older).

Some salaried workers do not make big wages. If that's the case, be sure to take full advantage of the Retirement Savings Contributions Credit, or what the IRS calls a "Saver's Credit." If you qualify, you can take a tax credit for contributing to your IRA or employer-sponsored retirement plan. The IRS has income limits on its website.

If your company has a pension plan, you can also contribute to a Roth or traditional IRA within certain restrictions, including whether your spouse is working and your income level.



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