



**For Immediate Release**

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## **Many Gen-Xers Missing the Boat on Retirement Savings**

*Boomers Saving More as Retirement Looms*

Washington, DC (June 22, 2010)—Where does tax planning start? For many taxpayers, the most convenient and advantageous way to reduce taxes is by contributing to an employer-sponsored 401(k) plan. So why are approximately one-third of Americans who are eligible to participate in these plans not on board? And why is it that so many of those who do participate are leaving money on the table by not saving enough to capture the full employer contribution?

Retirement plan contributions may feel like a salary cut, but if the goal is to keep Uncle Sam's hands off your hard-earned pay, the increase in tax-deferred income makes it worth the decrease in take-home pay. The capital grows tax-free until withdrawn, and many employers match the employee contribution up to a certain percentage.

For most taxpayers, this is a winning proposition. Yet, the 20<sup>th</sup> annual Retirement Confidence Survey conducted by the Employee Benefits Research Institute reports that although workers 45 and older are more likely to be saving for retirement than their younger counterparts, 30 percent of them are not currently doing so. The penalty for removing any money from a tax-deferred retirement account before age 59½ is a stiff excise tax, and that's a deal-breaker for many who are reluctant to tie up funds that could help them out of an unforeseen financial jam. For the under-45 group, saving money is the sort of delayed gratification that Generation X is reputed to avoid. The idea that anything could happen in the next twenty or thirty years, including a lottery pay-off or premature death, also contributes to this group's failure to participate in the company retirement plan. As a result of this lower level of participation, taxpayers under 45 are likely to pay more in taxes than they have to.

Frank St. Onge, an enrolled agent in Brighton, Michigan and member of the National Association of Enrolled Agents (NAEA), points out that because Congress has thus far failed to renew a host of expiring tax provisions, tax-deferred savings plans are more important than ever. "Depending on your marginal tax rate, a \$100 contribution to your 401(k) could cost you only \$67 (25% federal marginal rate plus 8% marginal state/local rate)," said St. Onge. "Because you can adjust retirement contributions all year long, if you run into a financial bind, the option is there to reduce your contribution, or stop contributing altogether."

Many Americans are paying too much in taxes because they are simply unaware of many of the deductions and credits allowed by IRS. The 401(k) catch-up contribution of up to \$5,500 that IRS has made available to those 50 years-old and over is still a relatively recent development and is often overlooked by Baby Boomers. Even taxpayers who are reasonably adept at preparing their own taxes may be unaware that they need to use the new Schedule M to claim a Making Work Pay credit. Also frequently overlooked is the Child and Dependent Care Credit of up to \$6,000. Taxpayers who gain the advantage of correctly reporting refinancing points and reinvested dividends are often those who have hired a tax professional to ensure that all available credits and deductions are claimed—and claimed correctly. The fluid nature of the tax code makes hiring a tax practitioner with proven competency an investment that will pay for itself.

Those in search of a tax expert should be aware that a tax professional with "EA" after his or her name is an enrolled agent, a federally-licensed tax specialist. EAs are required to pass a stringent three-part exam to earn the license; to keep the license, they must complete annual continuing education and abide by a Code of Ethics. To locate an EA in your area who may be able to reduce your tax burden, go to [www.naea.org](http://www.naea.org) and access the "Find an Enrolled Agent Directory."

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