

## Test Your Knowledge: Retirement Savings

1. The IRS limit on contributions to a 403(b) plan in 2012 by employees under age 50 is:

- A - \$17,000
- B - \$150 per pay period
- C - There is no limit.

2. Inflation should be an important consideration in your investment strategy because:

- A - It is a form of risk
- B - Over time, it can shrink the value of certain investments
- C - Both A and B.

3. The Saver's Tax Credit is available to encourage:

- A - Certain low- to moderate-income taxpayers to save for retirement
- B - Employees age 50 or older to make catch-up contributions to a 403(b) plan
- C - Employers to make matching contributions to 403(b) plans.

### Answers:

1: A The \$17,000 limit is the maximum allowed by the IRS for tax year 2012, but plans may set lower limits. Plans also may allow participants age 50 or older to make a catch-up contribution of up to \$5,500.

2: C Inflation risk is the chance that your investments won't grow enough to outpace inflation. Inflation erodes the value of retirement savings because it reduces the purchasing power of your money. Over time, the impact can be significant.

3: A For taxpayers with modest incomes, saving for retirement in an IRA or employer-sponsored plan can be a financial challenge. To spur savings, certain eligible taxpayers may qualify for a tax credit to trim their tax bill, in addition to the tax deduction allowed for such contributions. The lower your income, the higher the percentage of the qualifying contribution, ranging from 10% to 50%, up to a maximum credit of \$1,000 (\$2,000 if filing jointly).

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