



NORTH CAROLINA

OFFICE OF THE TREASURER

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Saving for the Future: Reviewing Your Retirement Goals By State Treasurer Janet Cowell

Tax filing season is a great time to evaluate your current financial situation and review your financial goals. One of those goals should involve saving for retirement. Having adequate savings can mean the difference between living comfortably and struggling in retirement. There are a number of things you can do now to achieve your savings goals and reduce your tax liability at the same time.

Participate in your employer's 401(k) or 403(b) plan - Your contributions to a 401(k) or 403 (b) plan are made on a pre-tax basis, which reduces your taxable income. Some employers will match your contribution up to a specified level. Make the most of this free money from your employer.

Contribute to an Individual Retirement Account (IRA) - You can still reduce your taxable income for the 2010 tax year by contributing to a Traditional IRA by the April 18th filing deadline. Your local bank or credit union can give you additional information on opening an Individual Retirement Account.

Use your tax refund to jumpstart your savings goals – Open a savings account. Have a portion of your tax refund deposited into an interest bearing savings account with a financial institution. Make a commitment to put a small amount of your paycheck into savings each pay period.

Avoid decisions that result in tax penalties - Consult with your plan's benefit administrator or your tax advisor before making any withdrawals from retirement accounts. Resist the temptation to take early withdrawals from your 401K plan to address a financial crisis. While it may provide immediate relief, an early withdrawal carries a heavy tax penalty in most cases.

Regardless of your income level, you can take action now to help you prepare for a more comfortable future. The earlier you start following a savings plan, the more likely you are to have enough assets to enjoy a financially secure retirement.

John and Abby a couple from Charlotte, NC plan to save their tax refund this year instead of spending it on a vacation or a new big screen TV. John was laid off from his job and had been out of work for six months before he took a new job with a \$17,000 pay cut. The couple learned that based on their reduced income, they qualified for the Earned Income Tax Credit (EITC), which led to a much larger tax refund than they were expecting. The EITC is a federal and state tax credit for low-to-moderate income workers. John and Abby continue to stick by the strict budget they created during John's layoff. They have managed to become debt free while John contributes the maximum amount towards his Individual Retirement Account.

The Department of State Treasurer website has a number of tools and resources to help you prepare your taxes and plan for retirement.

For more information:

EITC and Free Tax Preparation:

- Find out if you qualify for the Earned Income Tax Credit at www.irs.gov/eitc
- To locate free tax preparation services - Call your local United Way 2-1-1 helpline. You may also call 888-756-2463 or view the list of VITA (income limit of \$49,000 or less), and TBB@NC (income limit of \$60,000 or less) sites at www.eitc-carolinas.org
- Visit one of 235 State Employees' Credit Union branches (income limit of \$49,000 or less) - All branches offer free tax preparation services by appointment only. Learn more at www.ncsecu.org or call your local branch
- Learn about self-service options at TBB@NC or the IRS FreeFile program - Households who earn \$60,000 or less can file their own federal tax return for free through www.thebenefitbank.com/TaxCenter or www.irs.gov/freefile

Saving and Retirement Planning:

- Visit the Retirement Planning Guide at www.nctreasurer.com to learn strategies for saving and planning for retirement.
- Visit www.northcarolinasaves.org for other savings tips and strategies

State Treasurer Janet Cowell writes financial help columns to provide North Carolinians with national, state and local resources to assist with enduring the economic crisis and making better financial decisions. Throughout the year, Treasurer Cowell will be offering important tips to help North Carolina residents save money while boosting our local economy.