

Use Your Tax Refund to Boost Retirement Savings

Many individuals receive tax refunds at this time of year. Assuming you have paid off any debts with high interest rates (such as personal loans or credit cards), then putting the tax refund into an IRA can both increase your tax savings and boost your retirement savings.

Individuals can contribute up to \$5,000 to a Traditional IRA any time between January 1st and the tax deadline (April 17th for 2012) and deduct the contribution on that year's tax return (2011 tax return). The deduction is taken at the top, so it will directly reduce your Adjusted Gross Income. Therefore, if you are eligible for the deduction, it will reduce your tax due by the amount contributed, multiplied by your marginal tax rate. Assuming you had a marginal tax rate of 30%, you would essentially be putting \$5,000 into savings with only a \$3,500 decrease in cash flow.

Here are a few links to get you started in opening an account. Note that we don't endorse any particular company or investment fund. There are also several other companies that offer IRAs.

- Fidelity:
 - Requires a minimum contribution of \$2,500 to open an account, although will waive that requirement if a minimum automatic contribution is made.
 - No annual maintenance fee, although the typical fund fees still apply. Be sure to check on fund fees before investing.
 - https://scs.fidelity.com/accounts/aong/traditional_IRA_more.shtml?tab=MostRequested&source=aong
- Vanguard
 - Requires a minimum contribution of \$3,000.
 - Strongly advertises low-cost funds, which can be a distinct advantage to your savings growth.
 - <https://personal.vanguard.com/us/whatweoffer/ira/whichira?Link=facet>
- T. Rowe Price
 - Requires a minimum contribution of \$1,000.
 - Offers no-load funds with no sales charges or commissions. In addition, most funds have lower expense ratios than their Lipper averages.
 - <http://individual.troweprice.com/public/Retail/Retirement/IRA/Traditional-IRA>

If you have any questions about your tax-deduction eligibility, contact Two Hills Accounting at (303) 517-6342. We'll be happy to answer them!