



Planning Can Help Taxpayers Pay Less



(NAPSA)—Instead of looking at tax time as a date to avoid, you may want to consider some ways to lower your burden by contributing to an IRA.

Here are a few tips from the experts at State Farm® that can help:

Open An Individual Retirement Account (IRA)

By opening an IRA by April 18, 2011, individuals can make annual contributions for the 2010 tax year to a Traditional or Roth IRA of up to \$5,000, or 100 percent of earned income, whichever is less. Married couples filing jointly can contribute up to \$10,000 (\$5,000 per IRA) provided either spouse has earned income of at least that amount. If you are getting a tax refund, consider using that money to make a contribution to an IRA.

Consider the Catch-up Contribution

If you were 50 or older by the end of 2010, you can add a \$1,000 catch-up contribution. If you already have a Traditional or Roth IRA account, you can make a con-

tribution by the April 18 deadline. If not, talk to a financial professional as soon as possible to start one.

Tax Benefits

Individuals may be able to take advantage of some potential tax benefits for the 2010 tax year. An IRA helps you build retirement savings in many ways:

- With a Traditional IRA, contributions may be federally income tax deductible and any growth and earnings are tax deferred until withdrawals begin.

- With a Roth IRA, contributions are not tax deductible, however withdrawals (including growth and earnings) are tax-free if the Roth has been established for at least 5 years and you are age 59½ or older, you become disabled, you die, or the distribution is for first-time home buyer expenses (\$10,000 lifetime maximum).

- The Retirement Saver's credit provides a tax credit of up to \$1,000 (or \$2,000 if married) for retirement contributions if certain requirements are met.

A deductible Traditional IRA

contribution of the 2010 maximum by April 18, 2011 would reduce your taxable income, making your federal tax burden less for the year.

The 2 Percent Effect

You may be asking, "Where will this extra money come from to make an IRA contribution?" The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 provides for a payroll-tax reduction during 2011 of 2 percentage points. Consider investing this extra 2 percent in an IRA account.

Invest Now in an IRA

An IRA can become a crucial part of any person's personal retirement savings program. The sooner any person begins, the more time there is to take advantage of the benefits an IRA provides. The time to establish or enhance an IRA has never been better. For more information on IRAs, including deductibility of a Traditional IRA, the Saver's Credit, or to use helpful calculators, visit the IRA Learning Center on www.statefarm.com.