

Consumer Information from Mid Oregon Credit Union

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New Year brings changing retirement benefits

WASHINGTON (12/12/11)--As 2011 comes to a close, familiarize yourself with more than your holiday shopping list. The year 2012 marks some significant changes for various retirement benefits (*USNews.com* Dec. 5).

Whether you're already retired or still working, understand the new rules. Some of them could affect your retirement saving strategy.

The benefits undergoing changes include:

- *Social Security.* Checks will increase 3.6% in 2012, to about \$43 more each month for a typical retiree. For workers, the amount of Social Security taxable earnings will also increase, to \$110,100--up from \$106,800 in 2011. And unless extended in the next few weeks, a temporary reduction in workers' Social Security taxes is also scheduled to end in 2012, increasing back to 6.2% from 4.2%.
- *Medicare.* Part B premiums will increase slightly to \$99.90 in 2012, up \$3.50 for those who signed up in 2009 or earlier. Those who signed up in 2010 or 2011 actually will see premiums decrease, from \$110.50 or \$115.50 to \$99.90. For singles with incomes exceeding \$85,000 or couples with incomes exceeding \$170,000, Part B premiums will increase \$40 to \$219.80 more than the standard rate. And with the gradual phase-out of the Part D coverage gap--or the "doughnut hole"--recipients in the gap will be able to buy generic drugs at a 14% discount, up from 7% in 2011.
- *401(k) accounts.* Savers can sock away up to \$17,000 in 2012, up from \$16,500 in 2011. Plan participants will also receive a more complete explanation of account costs and fees, thanks to a Labor Department ruling that requires plans to disclose that information in more detail. The Labor Department will also require plan administrators to offer advice to account holders. Advice must be given by an adviser whose compensation is not affected by investments selected. Finally, many companies that suspended 401(k) matches during the recession report that they will reinstate those matches in 2012.
- *Individual retirement accounts (IRAs).* For individuals with employer retirement plans, tax deductions for traditional IRA contributions will phase out for incomes between \$58,000 and \$68,000 for singles and \$92,000 to \$112,000 for couples, an increase of \$2,000 from 2011. For individuals without employer retirement plans, income cutoffs will kick in between \$173,000 and \$183,000, an increase of \$4,000. Income limits for making contributions will be set between \$110,000 and \$125,000 for singles (an increase of \$3,000) and between \$173,000 and \$183,000 for couples (again, an increase of \$4,000).
- *The Saver's Credit.* Individuals with incomes up to \$28,750 for singles, \$43,125 for heads of household, and \$57,500 for married couples can claim this credit worth up to \$1,000 (\$2,000 for couples). That's an income increase of \$500 to

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\$1,000 from last year. To claim the credit, workers must contribute to a 401(k), IRA, or other retirement account.

- *Pensions.* Insurance limits will increase to \$55,840.92 for a 65-year-old retiree, up from \$54,000 in 2011.

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