

# OnTrack

## TOP FIVE THINGS Your Retirement Plan Offers

You probably won't see this list featured on late night TV. But it's one that retirement plan participants can appreciate. It will help you get the most out of your plan — so you can make the most of your retirement.

### #5: Information

As a plan participant, you have access to a variety of educational materials. Taking advantage of these materials can help you learn what you need to know about retirement planning and basic investing terms and strategies. You also have access to information about the plan's specific investments.

### #4: "Double" Savings

You hear a lot about the tax benefits of saving in a qualified retirement plan. But did you know that every time you contribute pretax money to your plan you're essentially saving twice?\*

First, you're putting money away for retirement. Second, you're paying less in current income taxes. Over the years, the potential earnings generated by investing the gross amount of your contributions — and not the net or after-tax amount — can really add up.

### #3: Portability

If you leave your current job, you don't have to start saving all over again at your new job. You'll be able to keep your savings growing tax deferred by rolling the vested amount into an individual retirement account (IRA) or your new employer's plan.

Or you may be able to leave the money in your current plan.

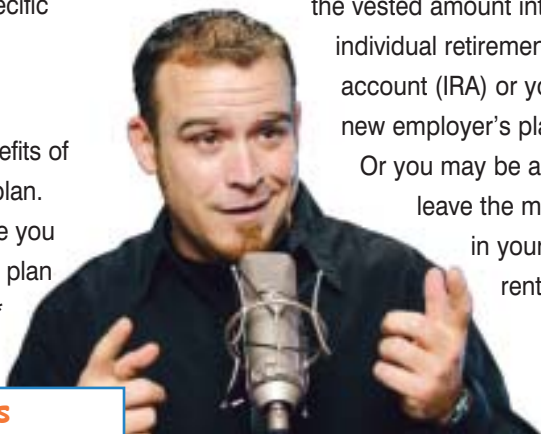
### #2: The Opportunity To Save More

Compared to an IRA, 401(k) plans generally have higher contribution limits, allowing you to save more. You also may be able to make catch-up contributions if you're age 50 or older and would like to boost your savings.

### #1: A Great Way To Prepare for the Future

If you had to make a conscious effort to put money away for retirement instead of having it automatically deducted from your paycheck, would you do it? One of the biggest advantages of your retirement plan is that it puts saving on autopilot — and does it in a tax-advantaged way.

*\* Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.*



### Payday Savings

If your annual contribution is	And your federal income-tax rate is					
	10%	15%	25%	28%	33%	35%
	Your actual cost in equivalent take-home pay is only					
\$750	\$675	\$638	\$563	\$540	\$503	\$488
\$1,000	\$900	\$850	\$750	\$720	\$670	\$650
\$3,000	\$2,700	\$2,550	\$2,250	\$2,160	\$2,010	\$1,950

Amounts are rounded to the nearest dollar. State income taxes are not considered.

Source: NPI

## THE DOG Ate My Homework ~~PAYCHECK~~

This classic excuse is always good for a chuckle — unless you're using it as an excuse not to save for retirement. An underfunded retirement is not something to joke about. If any of the following excuses sound familiar, it may be time for a reality check.

### **I can't save more right now; there are too many other financial pressures.**

Repaying a student loan, saving to buy a house, paying down a mortgage or other debt, raising a family, helping someone pay for college — there will always be competition for your money. So why not do your best right now to free up some extra cash for your future? You'll probably have to do a bit of juggling, and you may need to eliminate some of the "extras" you enjoy. But if you don't cut back now, you might have to make more drastic cuts in your lifestyle later.

### **I don't have to worry about it right now; I have plenty of time.**

If this excuse occurs to you, do yourself a favor and reject it right away. While it's never too late to save for your retirement, starting as early as possible has clear advantages. The earlier you start, the longer the power of compounding can potentially work for you. Over time, even small amounts can become larger because of compounding investment earnings.

Also, when you have a long time to invest, you may be comfortable devoting a greater portion of your account to investments that have the potential to produce higher long-term returns.

### **If I don't have enough saved, I'll keep working.**

There are many reasons you might plan to keep working, including the fact that you enjoy it. But several factors beyond your control could cause your plan to fizzle. The biggest unknown is health. You can't know for certain that your own health will allow you to continue working later in life. Or, someone close to you could have health issues that require you to provide full-time care. Finding a suitable employment situation also could be a factor.

### **I'm overwhelmed by the amount I need to save.**

If you look at it as one big amount, it can be overwhelming. But ignoring the issue is not a solution. If you're not saving as much as you should because the goal seems too big to handle, break it down into small steps you can handle.

Tackle things one paycheck at a time. Start by increasing your contribution a small amount. Allow yourself a period of time so you can adjust your spending, then increase the amount you're saving a little bit more. It may take a while, but you'll see how steadily



increasing your contributions has a positive effect on your account balance.

### It's not necessary because . . .

I might receive an inheritance. I could win the lottery. Either of these possibilities could certainly improve your retirement finances. But they are just that — possibilities. Even planning to sell your house to cash in on the equity could backfire as a reliable plan to fund your retirement. What if real estate prices are depressed when

it's time to sell? What if it takes longer to find a buyer than you'd planned? What if you can't find an affordable housing alternative?

And then there's the idea of relying on Social Security retirement benefits to fill a savings gap. Since no one knows what the future holds, this source of income may not be guaranteed. In the meantime, use the estimate from your most recent Social Security statement (it comes a few

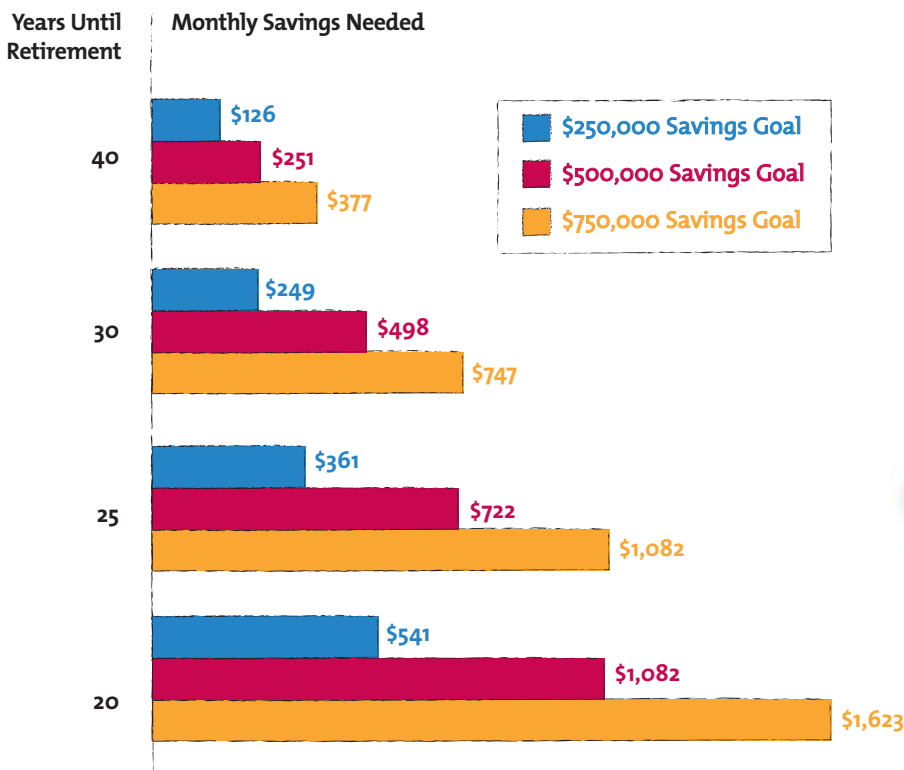
months before your birthday) for planning purposes.

### No more excuses.

The thing about excuses is that they don't really solve anything. You'll be in a better position when retirement rolls around if you stop thinking you *can't* make saving a priority and start finding ways to make it happen.

## Start Early, Save Money!

How much you need to save each month to achieve your retirement goal depends on several factors, including how many years you have until you retire.



Assumes an average annual total return of 6%. This is a hypothetical example used for illustrative purposes only. It does not represent the results of any particular investment vehicle. Your results will be different. Monthly compounding is assumed. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal. Amounts are rounded to the nearest dollar.

Source: NPI



## Make It ALL ABOUT YOU

You pay taxes out of every paycheck. Meanwhile, are you taking a cut for yourself? Or is the money you earn all but gone by the time you pay Uncle Sam, your monthly bills, and all your other expenses?

One way to make sure there will be something left for you is to tuck some money away in your retirement account every payday. While you're paying bills and deciding how to spend the rest of your money, your plan contributions are hard at work helping you build a secure future.

### What Money?

Out of sight, out of mind. That's the beauty of having your contributions deducted directly from your paycheck — you don't get the money or even see it, so you don't think about spending it. Instead, you make budget and spending decisions based on the money you take home.

### It's a No-brainer

Having your contributions automatically deferred into your account makes your life simpler. You don't have to think about whether you can afford to make a

contribution. You don't have to go to the trouble of writing a check or transferring funds. And you don't have to make investment decisions every time: Your contributions are automatically invested according to your instructions.

### It's Habit Forming

Like exercising and eating well, saving is a healthy lifestyle choice for your finances. Watching your retirement savings grow can motivate you to save for other goals. Before you know it, you'll be cutting back on discretionary purchases and looking for new ways to save more money. And if you get a raise or receive a

bonus, you won't think twice about saving a portion of it.

### You'll Be Glad You Did

Saving for your future is a big, important goal. If putting your future first means scaling back on some plans or delaying some big purchases, so be it. Waiting a little longer to buy a bigger television or take a cruise isn't really a problem. Not being financially prepared for your retirement could be.



### It Adds Up

If you can trim spending by	You could have this much saved after			
	5 years	10 years	20 years	40 years
\$10/week	\$3,023	\$7,101	\$20,020	\$86,291
\$15/week	\$4,535	\$10,652	\$30,033	\$129,447

This is a hypothetical example used for illustrative purposes only. It assumes amounts are invested monthly, an average annual total return of 6%, and monthly compounding. It does not represent the result of any particular investment. Your results will be different. Amounts are rounded to the nearest dollar. Source: NPI

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