

## SMALL SAVINGS INCREASES GO A LONG WAY IN RETIREMENT

## SAVE A LITTLE MORE TODAY!

A little bit extra could potentially go a long way toward helping you reach your goals for retirement, but finding ways to save more can sometimes be a challenge. Consider these simple steps to help you grow your savings and achieve your goal of a financially secure retirement.

## START EARLY

Sure, it is possible to save more aggressively later on, but in most cases those higher savings will not be sufficient to fund the same retirement income as someone who started younger due to compounding – the process of investing and growing your money over time.

The best approach is to start contributing to your 401(k) plan as soon as you are eligible. Even if you are no longer in your 20's or 30's, do not delay further – start today!

See the illustration: Investor B never makes up for the lost time despite saving twice as much.

## SAVE CONSISTENTLY

The easiest way to become a consistent saver is to start small. It is best to start saving a small proportion of your income (e.g. 3%), or alternatively you can set aside a certain amount per month that is not going to bust your budget. Either way, it is important to stay committed to your retirement savings. Your future is counting on it.

## INCREASE YOUR SAVINGS OVER TIME

Once you have started the savings routine, it is also crucial to increase over time. Every six months or year, commit to increasing your savings rate by an additional 1-2%. Whenever your income goes up, it is also a good time to increase savings.



Investor A:  
Invested for  
40 years

Monthly Savings:  
\$200



Amount at age 65:

**\$528,025**



Investor B:  
Invested for  
30 years

Monthly Savings:  
\$400



Amount at age 65:

**\$490,835**

The graph is hypothetical and for illustrative purposes only. It is not indicative of any specific investment. It assumes an 7% annual rate of return, the reinvestment of interest and dividends and retirement at age 65. The value of an investment may fluctuate with market conditions.

## USE TAX ADVANTAGES TO YOUR BENEFIT

Pre-tax savings in a 401(k) plan reduces your current federal income tax. The IRS allows up to \$17,500 in 401(k) contributions in 2014, and another \$5,500 is possible for workers age 50+. The more you save, the more compounding you will receive over time.

The IRS provides an additional tax incentive for lower income workers called the Savers Credit. The Savers Credit provides up to \$1,000 per individual (\$2,000 joint filers) saving for retirement in the form of a tax refund when filing your annual tax return. Individuals earning up to \$30,000 (\$60,000 joint filers) in 2014 are eligible for a credit. Please contact a tax preparer or refer to the IRS website for more information: visit [www.irs.gov](http://www.irs.gov).

