

SECURING YOUR RETIREMENT

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# THE POWER OF YOUR 401(K)

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SAVERS GUIDE

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# Most Americans are unprepared for retirement

Even before the financial crisis that began in 2008, Americans were unprepared for retirement. Today, one-third of American households don't have any form of retirement savings plan beyond social security. The good news, however, is that now we are aware of our predicament we can act to fix it. We hope you'll take advantage of your new 401(k) plan and the educational resources available. Let's start with a simple, practical overview.

## THE THREE PRIMARY SOURCES OF RETIREMENT INCOME

### 1) SOCIAL SECURITY

The money you're currently contributing to social security is supporting today's retirees – not tomorrow's. When you retire, you'll be relying on the individuals working during your retirement to support your Social Security Benefits. The Social Security Administration estimates that social security benefits replace approximately 25-50% of pre-retirement income, subject to a maximum of about \$25,000.

### 2) PERSONAL SAVINGS

This could include savings accounts, brokerage accounts and individual retirement accounts. Unfortunately, taxable accounts aren't as efficient as tax-advantaged accounts and individual retirement accounts (IRAs) have relatively small IRS imposed contribution limits. Regardless, all of these accounts will play an important role in funding your retirement.

### 3) QUALIFIED RETIREMENT PLANS

Let's take a look at the benefit of saving via a company-sponsored, qualified retirement plan like your new 401(k). Your pre-tax savings will grow tax-deferred. This means you will keep more of what you earn each paycheck protected from taxes. All the capital gains, interest and dividends accumulate on a tax deferred basis as long as the money remains in the account.

## THE BOTTOM LINE

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By using a qualified retirement plan like your new 401(k), you can keep more of what you earn, and put it to work securing your retirement.

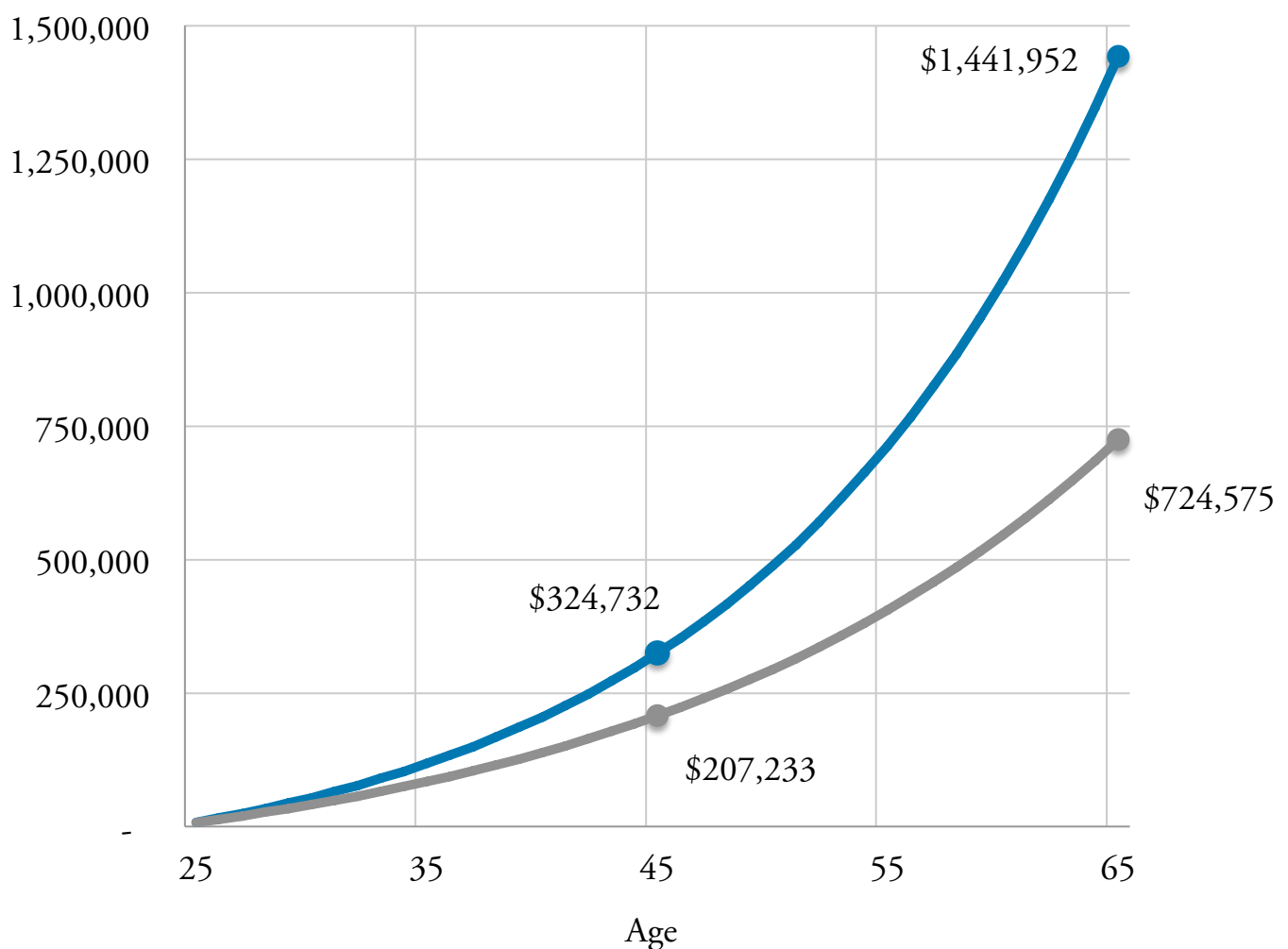
# A 401(k) could double your retirement savings

Mary

vs.

Dave

Mary saves pre-tax through her 401(k) and Dave saves after-tax in his brokerage account. Mary has twice the amount saved at age 65. Even if Mary withdrew all of her savings and paid the taxes, she would still have over \$1 million.



# A 401(k) increases the earnings you get to keep

As an incentive to save for retirement, the IRS allows those who use their 401(k) to pay less in taxes, which means they get to earn interest on wages that would otherwise be paid to the IRS as taxes.

	Mary	Dave
Gross Income Per Paycheck	\$5,000	\$5,000
401(k) Contribution	<u>-\$500</u>	<u>-\$0</u>
Paycheck Amount (taxable income)	\$4,500	\$5,000
Tax (assuming 25% rate)	<u>-\$1,125</u>	<u>-\$1,250</u>
Take Home Pay	\$3,375	\$3,750
After-Tax Savings	<u>-\$0</u>	<u>-\$500</u>
Effective Take Home Pay	\$3,375	\$3,250

Mary saves an additional \$125 per month by contributing to her 401 (k) before taxes. That's the power of your 401(k).

Our retirement calculator can help you determine how much you may need in retirement, and how much you should be saving now to reach your goal. Make a plan today at [www.benefitguard.com/retirement-calculator](http://www.benefitguard.com/retirement-calculator).

Questions? Call us Monday through Friday from 8am to 7pm eastern time at (800) 878-5220, option 1, and our retirement specialists will be happy to assist you. You may also access your account online by going to [www.myplanconnection.com](http://www.myplanconnection.com). If you are logging in for the first time, your User ID is your social security number and your password is the last four digits of your social security number. Make sure you select "Participant" as the role, and then click "Log in."