

The cost of waiting

Start saving today

Special Report



Have you begun saving yet for your retirement? Do you think you'll be okay if you start tomorrow? Or next month? Or next year? Think again. Putting away even a small amount each month can make a huge difference when you're ready to retire. So what are you waiting for? Start saving today!

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More years, more money

The good news is, odds are, you'll probably live longer than past generations. The bad news is, living longer means you'll need more money for retirement – possibly up to 30 years' worth. Whatever your retirement dream is – whether it's traveling the world, playing golf or just relaxing and enjoying the grandkids – the last thing you want to worry about is outliving your money.

A good rule of thumb is to save enough money to make sure you live the way you've always lived. You can't expect to spend less on living expenses in your Golden Years than you do today. Most financial advisors agree that you'll need 70-80 percent or more of your pre-retirement income to maintain your lifestyle in retirement.

Also keep in mind that the cost of retirement living continues to increase as the cost of healthcare, housing, energy and other costs increase. And don't underestimate the power of inflation, as even low inflation can damage the purchasing power of your retirement dollars. For example, if you project a 3% inflation rate over the next 25 years, a gallon of milk purchased today for \$3.49 will hypothetically cost you \$7.31 in 2038.

So, while your expenses may at best remain the same, or even increase, you can't expect the same for your income. That's why every day that goes by in which you don't save is another dollar you likely won't have in retirement.

Save now, pay later

One of the best and simplest ways to begin saving is to take advantage of your employer-sponsored retirement plan, such as a 401(k), 403(b) or 457 Deferred Compensation plan. And if you're worried about whether you can afford it, keep in mind that such plans can help you save money today. Here's how:

- **Less tax today:** Contributions to your plan are made prior to income tax deductions, which means you're paying less in current taxes from each paycheck.
- **Less tax tomorrow:** Your account grows tax deferred, meaning you won't pay taxes on it until you withdraw funds from the plan. Since you'll most likely be in a lower tax bracket at that time, you'll pay less in taxes than you would today. (Note: Penalties will apply to early withdrawals – usually before age 59½, unless an IRS exception applies.)

Your money is your money-maker

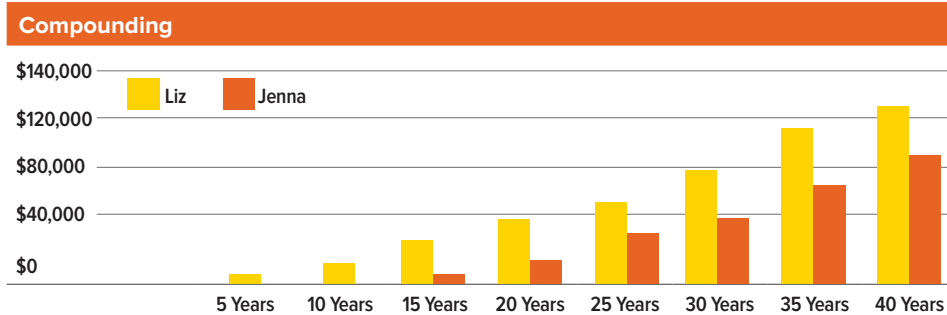
When you invest in fixed credited interest rate accounts, you earn interest on your money. And then that interest earns interest. That's called compound interest, and it's how your account grows over time. The sooner you start, the more you can save.

Compounding Circumstances

Liz and Jenna, both 25, started work for the same employer on the same day. Liz began making a monthly contribution of \$100. Jenna chose to wait another 10 years before contributing to the plan. Liz stopped investing after 15 years, while Jenna continued to invest \$100 a month until she retired at age 65.

Both contributed \$100 a month, totaling \$1,200 each year. Both earned

a 6 percent rate of return on their investment. Liz invested for 15 years and a total of \$18,000; Jenna invested for 30 years and a total of \$36,000 – more than double Liz’s investment. Yet Liz still came out ahead. (See chart.) That’s the power of compounding! Remember, this is simply an example of how compounding interest could work for you. Your actual results may vary.



This illustration does not reflect the performance of any specific investment. The returns are hypothetical and do not reflect the past or future performance of any specific investment option. Payment of income taxes is not reflected. Systematic investing does not ensure a profit or guarantee against loss. You should consider your financial ability to continue purchases through periods of low price levels.

Note: This hypothetical illustration is based on an annual effective rate of return of 6% and does not reflect the performance of any specific investment option. It does not take into account the payment of taxes and does not intend to predict investment results. The illustration does not include fees or expenses that an investment product could assess. If included, these fees would reduce the figures shown above. Systematic investing does not ensure a profit or guarantee against loss. You should consider your ability to invest consistently in up as well as down markets. Not intended to serve as financial advice or as a primary basis for your investment decisions. Taxes are generally due upon withdrawal.

The Sooner You Start, the Better.

Still not convinced that putting off saving for retirement will cost you down the road? The following chart shows that waiting may cost you more than you may think (depending on your investment choices and market conditions).

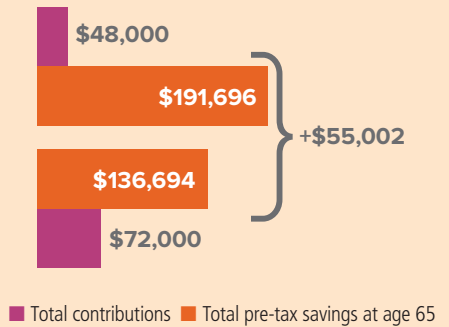
With more time to grow, Susan contributes less... but ends up with more.



Susan started saving \$100 a month at age 25. After 40 years she saved \$191,696.



Larry started saving \$300 a month at age 45. After 20 years he saved \$136,694.



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