

Wise choices

Fall 2025



Compounding can help power your savings

Experienced investors understand that time can generate wealth. Time allows even small sums of money to compound. And compounding is the engine that can potentially power the growth of your savings.

By making regular contributions to your retirement plan account and diversifying your investments across different asset classes,* you can benefit from the power of compounding. Compounding is what happens when you earn money on your savings, reinvest the earnings, and then earn money on your savings and your earnings. Compounding gives you an increasing pool of savings that continues to be invested, creating what is essentially a “snowball” effect.

While investment returns are never guaranteed, and you could lose money on your investment, years of contributing to your retirement plan can give your savings the potential to grow. Over time, as the compounding process repeats itself, you will have a larger and larger pool of money invested.

Think about increasing the amount you contribute to your plan to help power your savings growth even more. And be careful about taking loans or making other withdrawals from your retirement plan account until you actually retire. Loans can interrupt the potential growth of your retirement savings.

How much should you be contributing to your retirement plan?

You can never contribute too much to your retirement plan. But is there an optimal percentage of your pay that you should be contributing? Financial experts often recommend saving at least 10% to 15% of your pretax income for retirement. However, you can adjust that figure based on your circumstances and financial goals. Answering the following questions will give you a better idea of how much you should be contributing to your retirement plan:

What type of retirement do you want?

If your idea of the perfect retirement involves mostly staying home and enjoying a low-key lifestyle, you probably won't

need to save as much money as you would if you want an active, travel-filled retirement. The reality is that how much you need to save depends on the lifestyle you hope to have.

What other sources of retirement income will you have?

Your retirement plan savings will be one source of income after you retire. Monthly Social Security payments will be another. And a pension, if you have one, also provides a predictable stream of retirement income.

You may hope to work part-time after you retire. However, ill health or an injury (yours or a loved one's) could upend that plan. It's better to set a savings goal that gives you enough retirement income in case you can't work in retirement.

How long will it be until you retire?

If you are just starting out in the work world, you'll have decades to save for your retirement. That long time frame may mean you can make smaller contributions than someone whose retirement is close.

Social Security benefits as a percentage of total personal income

	Millions of recipients
100%	16.4
75%	26.5
50%	38.3

It is clear from this data that for many recipients, Social Security represents a sizable part of their income.

Data from the United States Census Bureau's Survey of Income and Program Participation (SIPP), 2022.

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*Diversification does not ensure a profit or protect against loss in a declining market.

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