

Wise Choices

Celebrate retirement plan appreciation day

It's not really a holiday, but maybe you should take a few minutes to appreciate just how great a benefit your retirement plan really is. The following list might just make you feel like celebrating.

Your plan is convenient

It's simple and convenient—sign up and contribute. The money you contribute to your plan account is deducted automatically from your pay and invested according to your instructions.

It offers pretax savings

The money you contribute is deducted from your pay before federal income (and, possibly, state and local) taxes are taken out. When taxes are deferred on a portion of your income, your tax liability for the year decreases. You end up with more spendable pay than you would if you saved the same amount in a taxable investment account.

Spending vs. Investing

Consider what might happen if you didn't spend money on the items below but instead invested that money in your plan account.

If you don't buy a:

You could have this much after:

	10 years	20 years	30 years	40 years
\$100 Brand-name sunglasses	\$181.94	\$331.02	\$602.26	\$1,095.75
\$200 Concert ticket	\$363.88	\$662.04	\$1,204.52	\$2,191.49
\$300 Smartwatch	\$545.82	\$993.06	\$1,806.77	\$3,287.24

This is a hypothetical example used for illustrative purposes only. It does not represent the results of any investment plan in any fund or portfolio. Monthly compounding and an average annual total return of 6% are assumed. Your investment results will be different.

Tax deferral is a big plus

You won't owe income taxes on what you contribute until you start receiving money from your plan when you retire. In addition, any income your plan contributions earn is also tax deferred. Your contributions and earnings will compound over time. Over time, compounding has the potential to impact your plan account balance positively.

The saver's tax credit helps

If you qualify, you may be eligible to claim the "Saver's Credit" on your federal income tax return for contributions to your retirement plan. The Saver's Credit is 10%, 20%, or 50% of a maximum of \$2,000 (\$4,000 if married filing jointly) in qualified retirement savings contributions for the year. Eligibility and the applicable credit rate depend on your income and filing status.

Celebrate with confidence

Your retirement plan means you won't have to rely only on Social Security to pay living expenses when you retire. That knowledge is invaluable.

Your emergency fund can be a financial lifeline in times of crisis

Would you be able to handle a financial emergency, such as a job loss or a major illness? How about a large, unanticipated expense, such as a major auto repair or a leaking roof? Would you need to borrow from your credit card or take a loan from your retirement plan to pay for such a surprise expense?

Many financial professionals suggest that a better option would be to build and maintain an emergency fund for unanticipated expenses. Here's what you need to know about how setting up an emergency fund.

Set a goal

Your emergency fund should have at least three to six months' worth of living expenses on hand. While that may seem impossible to do, you can start small at first. Put the money into a savings account or another cash account that gives you quick access to it if needed.

Think about adding some or all of any bonus, pay increase, or tax refund you may receive to your emergency fund. Once you hit your savings goal, you have to very be disciplined about not spending that money on gifts, vacations, or otherwise upgrading your lifestyle. Focus on the fact that this money shouldn't be used for anything other than a true financial crisis.

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