Understanding

Tax benefits – Go for growth

Tax-deferred compounding can help your retirement plan account grow. When you save for retirement in your employer's retirement plan, you pay no federal income tax on your pre-tax plan contributions until you withdraw money from the plan. Plus, you don't have to pay taxes on any earnings your plan contributions generate while the earnings remain in the plan. All your contributions and earnings can stay invested tax-deferred in the plan until you start receiving distributions.

Compounding happens when your retirement plan contributions generate earnings and those earnings are added to your balance and reinvested. Now you have an opportunity to earn a return on your contributions and your earnings. Although there are no guarantees, tax-deferred compounding over many years can give your retirement savings account a significant boost.

Increased savings = bigger benefits

By increasing your pretax contribution, you can lower your current taxes and put more money into your plan investments to potentially benefit from tax-deferred compounding.

Annual amount saved in plan	Federal income-tax rate	Annual tax savings	Number of years saved	Average annual total return	Account balance after 35 years*
$1,800	25%	**$450**	35	7%	**$270,158**
$3,600	25%	**$900**	35	7%	**$540,316**

If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.

*Amounts are taxable upon withdrawal. This is a hypothetical example used for illustrative purposes only and assumes monthly compounding. It is not representative of any particular investment vehicle. Your investment results will be different. Your tax rate and annual tax savings may be different.