

# BUILDING BLOCKS FOR RETIREMENT

## Retirement Planning Essentials

### Contribute the Max and Save the Tax

You might want to make that your new slogan. Maxing out your contributions to your employer's 401(k) or other tax-deferred retirement plan reduces your current income taxes and helps you build a comfortable nest egg for the future.

**On Your Own.** The days when longtime employees could expect to receive a company pension have pretty much gone the way of the dinosaurs. So it's up to you to save enough money to pay your expenses during a retirement that could last 20 or 30 years, or even longer. When you contribute to your company's 401(k) plan, you may still get some help from your employer in the form of matching contributions. So make sure you contribute enough to your plan to get the full match. If you don't, you're essentially turning down "free" money.



**Don't Stop There.** Contributing the maximum amount allowed to your retirement plan may seem impossible when you're just starting out. But as your income grows, the maximum amount may not seem as much of a stretch. You can contribute up to \$18,000 annually to your 401(k) plan account. If you're age 50 or older, you can make an additional "catch-up" contribution of \$6,000.\* Increasing the amount you contribute each year — say when you receive a raise or a bonus — can push you closer to the limit.

While the maximum amount may seem a little frightening when you're also saving for other priorities, remember that the money you accumulate will have to last for all the years you're retired. And what could be more frightening than not having enough money to live comfortably?

**The Tax Perk.** Your pretax contributions to your 401(k) or other tax-deferred retirement plan come out of your paycheck before taxes are taken out, so less of your income is subject to current taxation. You may even find that increasing your contribution each year results in a decline in your tax bill, even when you've received a raise. Any employer matching contributions also won't be taxed until you withdraw the funds.

\* Amounts are for 2015. Some 401(k) plans have lower limits.



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