

BUILDING BLOCKS FOR RETIREMENT

Retirement Planning Essentials

It's Tax Time. Your Retirement Plan Can Help You Save on Taxes Today!

Most of us have a lot of financial demands that make saving for the future seem less important than it really is. But there is no time like tax season to remind you that your retirement account not only helps you save for the future, it can help you save on taxes today.

An Immediate Tax Advantage

When you save through the plan, your contributions are deducted from your paycheck before income taxes are taken out—they're tax deferred. This means your reported income is lower, so the amount of taxes deducted from your paycheck is lower. The illustration below compares saving \$20 a week in the plan to saving the same dollar amount in a regular savings account (both by payroll deduction).

Saving Through Your Plan May Increase Your Take-Home Pay

**Pretax contributions may lower current income taxes—
leaving more money in your paycheck!**

	<u>Pretax plan account</u>	<u>After-tax savings account</u>
Weekly pay	\$400	\$400
Weekly, pretax savings (5% of pay)	\$20	—
Taxable income	\$380	\$400
Weekly, after-tax savings (5% of pay)	—	\$20
Federal income taxes at 28%	\$106	\$112
Take-home pay (after savings)	\$274	\$268

The increase in weekly take-home pay by making pretax contributions \$6
After one year, that adds up to \$312

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