BUILDING BLOCKS FOR RETIREMENT

Retirement Planning Essentials

Growing Your Retirement Savings

Some people are natural gardeners; they can grow anything. Others can kill a plant just by picking up a watering can. Fortunately, growing your retirement savings doesn't depend on having a green thumb or some other special skill.

Growth from Contributions

The amount you contribute to your plan during your working years can make a big difference in how much you have in your retirement plan account when you retire. If you don't contribute very much, you can't expect to have a big account balance. If you could be doing a better job in this growth area, increase your contributions gradually until you're on track to meet your savings goal.

Growth from Earnings

The returns your investments generate also add to your account's growth. Over the long term, stocks historically have earned higher returns than bonds and cash alternative investments, although stocks are riskier.* (Cash alternatives are short-term securities that can readily be converted to cash, such as U.S. Treasury bills. Past performance does not guarantee future results.)

If you put too much of your account in lower risk investments, there may not be enough long-term growth to meet your savings goal. Instead, consider investing in a diversified portfolio that includes stocks.* *

The stock market can be scary for investors, especially when the market is dropping. But ups and downs are part of stock investing. If your account balance drops due to volatility, resist the urge to cut your losses and sell all your stock investments. If you sell and the market eventually recovers, as it always has after past declines, you'll be watching from the sidelines. Much of the stock market's past growth has occurred during short periods. If you're not invested in stocks during similar periods that may occur in the future, you could stunt your account's long-term growth.

Growth from Compounding

Compounding can boost your account's growth. Any earnings your plan investments generate go into your account. You now have a larger pool of invested money than before — your contributions plus your earnings. A larger pool of invested money has the potential to generate even more earnings. Increasing the amount you're contributing to your plan increases the potential benefit you may realize from compounding.

Keep It Growing

Its not always easy to keep saving. But taking a break can really nip growth in the bud and could jeopardize your retirement. You may think you only need to take a short break. But short breaks can easily turn into longer ones.

There's also no guarantee that you'll be able to start saving again. It's very possible that new financial demands will surface. The thing is, you're already in the habit of contributing to your plan. And it's automatic. Try avoiding taking any breaks.

Growth from Tax Breaks, Too

Plan contributions are tax deferred, which means you don't have to pay federal income tax on the money contributed to your account until you withdraw it.*** And earnings on your plan investments are also tax deferred until withdrawal. Tax deferral means you have more money working for you, and it can help your balance grow.

Taking a Break Can Limit Growth

Taking a break from saving for retirement could put your future financial security at risk. Here are examples of the negative impact taking a five-year or a 15-year break can have.

Annual contribution	No break	5-year break	15-year break
Years 1 – 5	$2,000	$2,000	$2,000
Years 6 – 10	$2,000	$0	$0
Years 11 – 20	$2,000	$2,000	$0
Years 21 – 40	$2,000	$2,000	$2,000
Account value after 40 years	$331,915	$261,883	$171,470

These are hypothetical examples used for illustrative purposes. They do not represent the results of any particular investment vehicle. Monthly contributions and a 6% annual return (compounded monthly) are assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal.

** Prices of fixed income securities may fluctuate due to interest-rate changes. Investors may lose money if bonds are sold before maturity. Cash alternative investments may not be federally guaranteed or insured, and it is possible to lose money by investing in cash alternatives. Returns on cash alternative investments may not keep pace with inflation, so you could lose purchasing power.*

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

******* *Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.*

Source: DST

PENTEGRA

701 Westchester Ave, Suite 320E, White Plains, New York, 10604