

START SAVING EARLY

A 401(k) plan with a matching contribution delivers significant value to employees who choose to contribute to the plan. In the example below, employee contributions are matched 25%, up to 4% of compensation. This illustration shows the potential account accumulation for an employee contributing just \$200 per month, starting at various ages and earning 7% per year in the plan.



The Cost of Waiting to Save: 401(k) Plan with Matching Contribution

	Contribution starting age					
	30	35	40	45	50	55
Annual 401(k) Contribution	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Company Matching	600	600	600	600	600	600
Balance at 65	446,747	306,224	206,033	134,598	83,665	47,350
Cost of Waiting to Contribute		140,523	240,714	312,149	363,082	399,397

* A 30 year-old who contributes \$200 per month and receives a company matching contribution may accumulate over \$446,000 by age 65. Waiting just 5 years to start costs over \$140,000 in retirement savings.

As you can see, waiting just 5 years to start participating results in a dramatic difference in the employee's account at age 65. Furthermore, because 401(k) contributions escape current taxation, the reduction in an employee's actual take home pay is less than \$200 per month. The table on the right shows a sample paycheck comparison with and without the 401(k) contribution.

	\$5,000	\$5,000
Gross Pay		
Federal Income Tax	465	435
Social Security	310	310
Medicare	73	73
State Income Tax	85	76
401(k)		200
Net Pay	4,068	3,907
Net Impact of \$200 401(k) Contribution		\$(161)

In this example, while the employee is giving up \$161 per month in take home pay, the employee is receiving \$250 per month in contributions to the 401(k) plan, including the matching contribution.

Note: This is just an example. Results will vary based on actual contributions, investment returns, and income tax rates.