

Make your retirement plan
contributions work for you

The retirement picture has changed

Chances are you'll be living longer and have more opportunities to pursue your passions and interests. But you'll also face some important questions:

- Will your investments last throughout your lifetime?
- Will your income keep pace with inflation?
- Will you have enough money to live the life you want?
- Will you have enough to pay for rising health care expenses?

Contributing to your retirement plan(s) on a regular basis can help you answer "yes" to all of these questions. Here's how you can make your retirement plan contribution work for you.

Start saving early

The sooner you start saving, the more assets you can potentially accumulate to help ensure you have a confident retirement.

Plus, you'll be able to take advantage of compounding: The ability of an investment to generate earnings that are then reinvested and generate their own earnings. The key to compounding is to start saving early and regularly. If you put off saving now, you could significantly impact your investment potential and therefore how much money you'll have in retirement. As shown in Figure 1, the costs of waiting to save could be significant.

This hypothetical example assumes annual contributions of \$6,000 are made on Jan. 1 each year, beginning at the specified age and continuing through age 64. An annual rate of return of 7% compounded annually is also assumed, and rounded to the nearest thousand. Final account balances are prior to any distributions, and taxes may be due upon distribution. This hypothetical example is for illustrative purposes only and is not meant to represent any specific investment or imply any guaranteed rate of return.

Save as much as you can afford

It is a good idea to increase your contributions as your lifestyle allows. If you can, contribute the maximum allowable amount to your IRA or employer retirement plan; contributing more now can help you prepare for a more confident retirement. Refer to Figure 2 to see the difference between saving \$50 a month versus \$100 a month after 40 years, based on a 5% or 8% return.

Figure 1

Assumes yearly savings of \$6,000 and an 7% compounded annual interest rate.

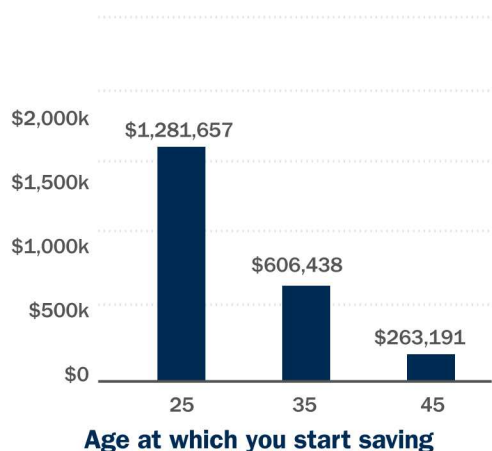
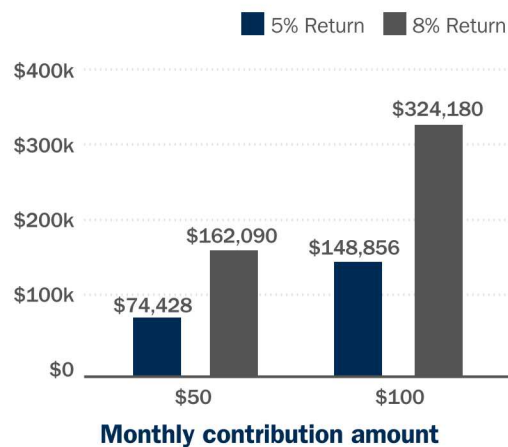


Figure 2

Starting at age 25; dollars accumulated by age 65.



Take advantage of tax deferrals

How you save can be just as important as what you save. Taking advantage of tax-advantaged vehicles, such as your workplace retirement plan, can help you save more money for your retirement and keep more money in your pocket now. The chart below shows that Cathy, who uses her retirement plan to save, will take home more pay than Kristine, who isn't saving through her workplace retirement plan. Cathy is deferring taxation of the savings until a later date.

Before and after taxes

Since retirement plan contributions may be deducted from your income before taxes are determined, you will pay less tax now.

	Cathy	Kristine
	Invests before taxes	Invests after taxes
Monthly income	\$4,000	\$4,000
Pre-tax retirement plan contribution	\$250	\$0
Taxable income	\$3,750	\$4,000
Income tax ¹	\$-825	\$-880
After-tax income	\$2,925	\$3,120
After-tax investment	\$0	\$250
Net take-home pay	\$2,925	\$2,870

¹ Assumes a 22% federal income tax rate. State, local and other taxes not considered.



Get started today

If you're eligible to participate in a retirement plan through your employer, saving for retirement is easy and convenient. Your Ameriprise financial advisor can help you decide on a contribution amount that's right for you and discuss investment strategies with you.

Once you have provided the required paperwork or online submissions, your employer will begin payroll deductions. Your money will be invested in the accounts you selected, and you will receive periodic statements showing how your investments are performing.

Each year you should discuss your contribution amount with your advisor to help you stay on track for a more confident retirement.

Our exclusive *Confident Retirement*[®] approach

With our exclusive *Confident Retirement*[®] approach, we'll help you feel more confident about your financial future — regardless of where you are in life. Your advisor will identify doable steps to help you build your dreams and goals. The plan you build together will address four key needs: covering essentials, ensuring lifestyle, preparing for the unexpected and leaving a legacy.



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