Saving for RETIREMENT

- IT'S A -
MONEY THING®

Someday you will be an OLD PERSON

Sorry to remind you, but it's true—and the sooner you accept the fact, the more prepared you'll be to build the kind of retirement lifestyle you want.

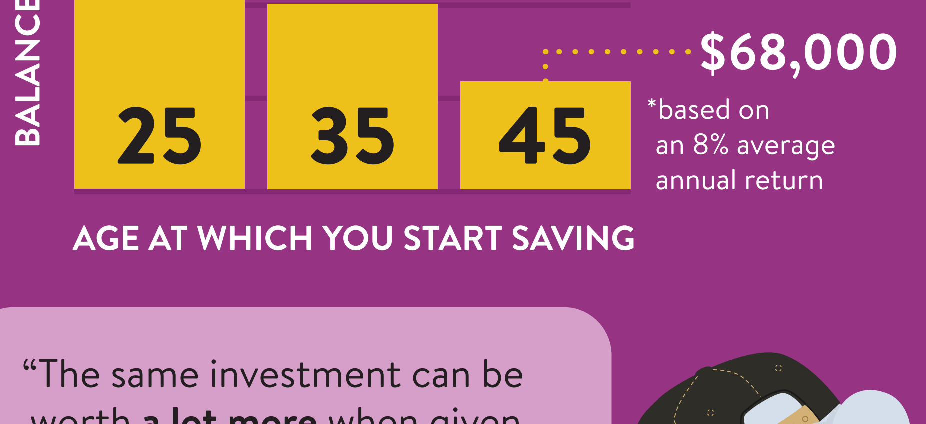
TIMING IS EVERYTHING

Saving a little now is better than saving a lot later

Your retirement will likely be the longest-term savings goal of your entire life. The earlier you start saving, the more time your contributions have to compound and grow.

IT PAYS TO START SAVING EARLY

Let's say you put **$10,000** in your **401(k)** and do nothing further until it's time to **withdraw the balance at age 65**:



"The same investment can be worth **a lot more** when given **a little bit more** time to grow!"

RETIREMENT ACCOUNTS

Retirement accounts are designed as an incentive to save for retirement and act like containers for your various investments.

As long as your investments remain in the container, they can grow and accumulate tax-free.

COMPARING OPTIONS

The most common retirement savings accounts include Traditional IRAs, Roth IRAs and 401(k)s

	TRADITIONAL IRA	ROTH IRA	401(k)
Where can I set one up?	At your financial institution	At your financial institution	Through your employer
What are the annual contribution limits?	**$6,000** (combined IRA limit)		**$20,500** (if you're under the age of 50)
Are my contributions taxed?	**No** Contributions are made with pre-tax dollars—contributions may be deducted from your income tax return for that year	**Yes** Contributions to a Roth IRA are made with after-tax dollars and cannot be deducted from your income tax	**No** Your 401(k) contributions are pre-tax—they come directly from your salary and are not counted toward your taxable income that year
When can I make withdrawals?	**After age 59½** (to avoid penalties)	**After age 59½** (to avoid penalties)	**After age 59½** (after age 55 in some cases)
Are withdrawals taxed?	**Yes** Distributions in retirement are taxed as ordinary income	**No** Qualified withdrawals in retirement are tax-free	**Yes** Distributions in retirement are taxed as ordinary income
Are there any penalties?	An additional 10% in taxes is charged on early withdrawals	You may have to pay taxes and penalties on the *earnings* in your Roth IRA when you make early withdrawals	Most early withdrawals are taxed as ordinary income and charged an additional 10% penalty fee
What makes it a good option?	Because Traditional IRAs are self-directed, you can choose from a wide range of investment options	Unlike Traditional IRAs, Roth IRAs have tax-free withdrawals and have no RMDs (required minimum distributions)	Your employer may offer company match on your 401(k) contributions—free money!
What should I look out for?	Traditional IRAs have RMDs, meaning you have to start withdrawing funds after you reach age 70	Unlike the other options, Roth IRAs will not give you tax breaks on your contributions	Limited investment options and higher fees are sometimes associated with 401(k) plans

JUST SO YOU KNOW...
The comparison chart above is a simplified guide. Full details and exceptions are not listed here. If you're looking to learn more, visit the IRS.gov website or get in touch with your credit union.

STARTER PLAN

Retirement savings plans are not "one size fits all," but the following steps are often recommended

1. Contribute enough to meet your 401(k) match
2. Switch over and max out your Roth IRA contribution
3. If you have money left over, top up your 401(k)

Why? *This strategy nets you the free money from your employer match and also takes advantage of your Roth IRA's tax-free withdrawals.*

STRATEGIC SAVING

These tips will help you protect and grow your retirement savings

Eliminate high-interest debt

In order for your money to grow, you need to create the right environment—paying down credit cards (and other high-interest debt) should be your #1 priority

Build an emergency fund

Life happens, but the last thing you need is an unexpected expense taking a bite out of your savings—build an emergency fund to protect your financial goals

One-third of millennials say student loan debt is delaying retirement savings

Maximize your repayment plans

Revisit your loan terms and see if there's a smart way to consolidate or refinance your loans in order to free up extra cash for savings

Ditch the excuses and start saving today

Time is on your side when it comes to retirement savings—start small if you have to, but start saving today

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Sources: Investopedia, IRS.gov, NerdWallet, The Motley Fool, Time Inc.

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