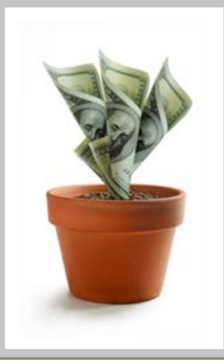

Financial Wellness…

Employer Retirement Savings Plans

It's Never Too Early To Start Planning For Later

We all think we can live and work forever, right? Sooner than we realize, those working years become retirement years and we need to be ready to replace wages with social security income and retirement savings. It is never too early to step up your planning and savings for those "golden years". One way to do this is to participate in your workplace tax deferred savings plan, also known as 401(k)s or 403(b)s depending if you work for the private or public sector.

What Is A Tax Deferred Savings Plan?

A tax deferred savings plan is a type of retirement account where you can arrange with your employer to put pre-tax money into an investment account with the promise to save and invest it for the long term: until you reach the retirement age of at least 59 ½. A tax deferred plan has two advantages that can contribute to your bottom line:

√ Tip
You should always take advantage of your employer match, because this is free money that increases your retirement savings.

1. The amount your employer takes out of your paycheck to put into your tax deferred investment account is taken out before taxes are calculated. This reduces the amount of your wages that gets reported to the IRS, also known as your taxable income. In essence, this allows you to pay less in income taxes each year. The idea is to put off paying taxes on your money when your income is the highest during your working years to when your income will be lower (when you retire and have little or no earned income). This can save you money in the long run.

2. Many employers offer a 401(k) match to your contribution up to a certain limit. So, if you invest $1 and your employer matches that with $1, you basically have doubled your investment amount. The amount of the match varies with each company so be sure to ask your human resource manager what the actual match amount is.

How Exactly Does This Work?

When you enroll in your employer's 401(k) or 403(b) plan, you tell your employer how much of your earnings to deduct and deposit each pay period into an investment account which is managed by a professional investing company. You will be given a variety of different investing options to choose from when you initially set up your account. It is important to consider your risk tolerance level, your age and other personal preferences when making your choice. Don't panic though; you can always change your investment portfolio selections as your individual needs change.

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