



Your Hartford Financial Services Group Financial News

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The Year’s Best Headlines Are...

- Include Your Children When Baking Cookies
- Something Went Wrong in Jet Crash, Expert says
- Police Begin Campaign to Run Down Jaywalkers
- Drunk Gets Nine Months in Violin Case
- Iraqi Head Seeks Arms
- Is There a Ring of Debris around Uranus?
- Panda Mating Fails; Veterinarian Takes Over
- Teacher Strikes Idle Kids
- Plane Too Close to Ground, Crash Probe Told
- Miners Refuse to Work After Death
- Juvenile Court to Try Shooting Defendant
- Stolen Painting Found by Tree
- Two Sisters Reunited After 18 Years in Checkout Counter
- War Dims Hope for Peace
- If Strike Isn’t Settled Quickly, It May Last a While
- Cold Wave Linked to Temperatures
- Enfields Couple Slain; Police Suspect Homicide
- Red Tape Holds Up New Bridge
- Typhoon Rips Through Cemetery; Hundreds Dead
- Man Struck By Lightning Faces Battery Charge
- New Study of Obesity Looks for Larger Test Group
- Kids Make Nutritious Snacks
- Chef Throws His Heart into Helping Feed Needy
- Local High School Dropouts Cut in Half
- New Vaccine May Contain Rabies
- Hospitals are Sued by 7 Foot Doctors

One New Year’s Resolution That Is Easy To Keep

Saving for retirement might be easier than you think.

You may not think you need to start saving for retirement now, or even in the near future. But the cost of procrastination may be higher than you think. If you are already contributing to your employer’s retirement plan, now is a good time to increase your deferral amount. The small contribution you make now could have a big impact on your account balance later.

The High Cost of Procrastination

According to The Department of Labor, about 6.4 percent of Americans 75 or older, or slightly more than one million, were working last year. That number is up from 4.7 percent, or 634,000, from ten years ago.¹ More and more Americans are finding that they need to supplement their retirement income, and the amount in their savings account isn’t enough to support them during what should be their retirement years. “Costs have risen and Social Security and other sources of expected income haven’t kept up with the increased costs of health care and basic living expenses,” states Wayne Carpenter, Director of Client Relationship Services. “By starting to save early on, your contributions have the chance to work harder and build up your retirement account. Plus, it’s much less expensive to save in the early years — a small decrease in your paycheck will have a large effect on your potential account balance later on.”

Put time on your side

The earlier you start to save for retirement the less you’ll need to save each week to help reach your goal, depending on your investment performance and other factors. The following chart shows the amount that individuals of various ages would need to save each week with pre-tax contributions to their employer’s retirement plan, assuming a hypothetical 8% annual return, to reach the same investment goal.²

Age	Weekly Investment	Savings goal at age 65
25	\$ 33	\$500,000
35	\$ 77	\$500,000
45	\$ 195	\$500,000
55	\$ 628	\$500,000

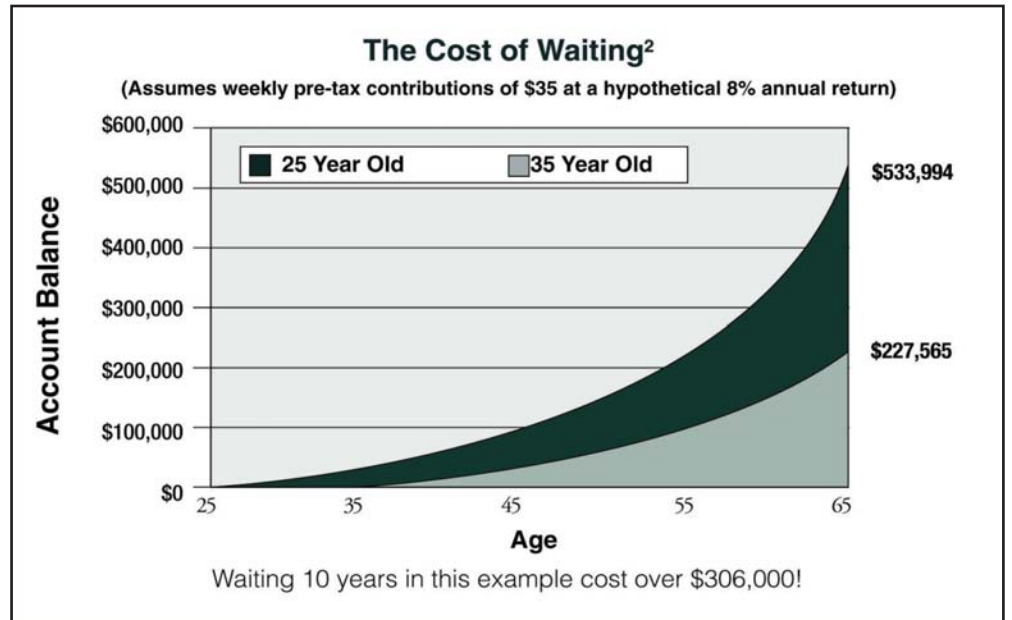
It’s not as much as you think.

The amount you choose to contribute to your retirement may have a large effect on your potential account balance, but only a small effect on your weekly take-home pay.² Using the example above, if you are 25 years old and contribute approximately \$33 a week, the impact to your weekly take-home pay is only approximately \$28. Waiting 10 years to accumulate the same amount may cost you \$77 per week.

The Cost of Waiting

If you waited just 10 years to make the same weekly pre-tax contribution of \$35 to your employer’s retirement plan, your account balance could suffer in the long term. The chart below illustrates that contributions made consistently over the course of forty years can have a much bigger impact on your savings account than if you wait 10 years to make the same contribution commitment. The saver who

contributes for forty years has the potential to accumulate more than half a million dollars, where as the saver who contributes for thirty years can expect less than half that amount. Waiting 10 years in this hypothetical example cost over \$306,000!



Increase your contributions

If you are already contributing to your employer’s retirement plan, you might want to consider increasing your contributions which may help ensure a more secure financial future. You may be surprised to learn that an increase as small as 2% of your salary may have a large effect on your potential account balance, but only a small effect on your weekly take-home pay.²

Your pre-tax retirement plan contributions are tax-deferred. So, if you increase your contributions, the impact to your weekly take-home pay will be less than the actual amount you defer. Take a look at the following hypothetical example.

Retirement Savings through a Tax-Deferred Plan

	\$1,200 annual contribution (5% of salary)	\$1,680 annual contribution (7% of salary)	Difference (2% increase)
Gross Pay	\$24,000	\$24,000	
Less pre-tax contribution	\$1,200	\$1,680	\$480
Taxable pay	\$22,800	\$22,320	
Less 15% U.S. income taxes	\$3,420	\$3,348	
Less 7.65% FICA tax	\$1,836	\$1,836	
Spendable annual pay	\$17,544	\$17,136	\$408
Spendable weekly pay	\$337.38	\$329.54	\$7.85

In the above \$24,000 annual salary example, the deferred contribution increased by \$480, but the impact to the annual spendable pay was only \$408 (\$7.85 a week).

Now consider the potential long-term impact of that \$480 contribution increase.²

If the annual \$1,200 contribution in the above example was invested weekly at a hypothetical 8% average annual return for 20 years, it could accumulate to over \$59,200. However, with an additional annual \$480 – invested using the same assumptions over the same time period – the account balance would grow to over \$82,900. That’s a difference of over \$23,700.