

## Take It to the Limit

## Get Started Today

Employer-provided pensions, otherwise known as defined benefit plans, are rapidly becoming an endangered species as employers switch to defined contribution plans or hybrid vehicles like cash balance plans. By eliminating the traditional pension plan, the employer shifts all investment risk to the employee and avoids having to guarantee an income at the employee's retirement.

This puts more importance on personal savings as a major source of retirement income, of course, but the good news is that defined contribution plans can give you greater control over the way your money is invested. The even better news is that many employers provide an incentive for you to participate: free money!

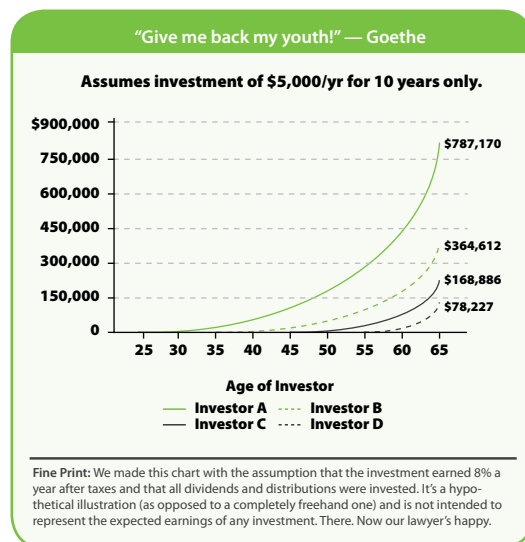
Simply put, if your employer matches your contributions to the company's defined contribution plan — e.g., 401(k) or 403(b) — this should be the first place to devote every dollar that you can afford to lock away for the long term. Why? You're staring at free money, and you shouldn't just stare at free money — you should take it.

Other advantages of an employer-sponsored plan:

- **Tax deduction:** The money you contribute to the employer plan is not included in your income for tax purposes.
- **Tax-deferral:** You don't pay taxes until you retire. That leaves more of your money to grow through the years.
- **Automatic investment:** The money is transferred directly from your paycheck to your account. No checks to write, no monthly reminders, no paper cuts to the tongue while sealing the envelope.

The contribution limits vary from plan to plan, but as far as the Feds are concerned, you're free to kick in a maximum of \$15,000 for tax year 2006 (in future years, the contribution limit will be indexed for inflation), and nope, that figure doesn't include any match your employer may provide. The over-50 set has an even sweeter deal: catch-up contributions. Hit the big 5-0 and Uncle Sam gives you the go ahead to kick in a cool \$20,000.

Don't wait to play catch-up, however. Getting going now greatly increases your chances of retiring with a fat nest egg in tow, as the picture to the right — which really is worth a thousand words — reveals.



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Enough not said? Thought so. And just in case you're struggling to find ways to contribute more — or at all — to your company's retirement plan, here's a handy-dandy cheat sheet to help you find ways to save.

### Reduce current costs in order to invest more for retirement

*Examples: track expenses, eat out less often, forgo cable TV*

- Action: \_\_\_\_\_ Do Date: \_\_\_\_\_
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### Make changes to existing retirement plan

*Examples: increase contribution amount, change investments*

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### 401(k) Money

A gold star to you if you already have money deducted automatically from your paycheck for a 401(k) plan, automatic share purchase, or other investment program. However, don't add that money back into your net income amount. Treat it just as if it is an obligation like a debt — it's a debt to yourself for the benefit of your future. You've chosen to pay yourself before your other debts. Since this money is out of sight, it should be out of mind.