Trust Company
of Illinois

GET ON TRACK NOW FOR YOUR FUTURE

Perhaps you don't feel like you have a good handle on investment choices, how much to save, or whether to contribute on a Roth or pre-tax basis. It's common to have questions, but the key is to not let the unknowns keep you from getting on track saving for a secure retirement.

Approximately seventy percent of your retirement savings outcome is tied to how much you contribute. Investment results are important, but not nearly as important as the part you can control – your decision to contribute.

HERE ARE THE FIRST STEPS IN TAKING ADVANTAGE OF YOUR EMPLOYER SPONSORED PLAN:

❑ **Enroll.** Ask your employer for the forms or website for enrollment. If you have questions about eligibility or other plan rules, get a copy of the Summary Plan Description. Don't be afraid to ask questions.

❑ **Choose contribution rate and increase annually.** Don't overthink this. Simply start with something, knowing you can change the rate later.[1] Calculators are available to help you estimate contributions.[2,3] I recommend that you increase your contribution by at least 1% of pay each year or upon each raise. Put an annual reminder in your calendar, or schedule an email to be delivered to yourself in a year to increase your contribution rate. If you can't do it that frequently, consider every two years. In 2015, Fidelity studied the benefit of increasing savings by 1% every five years for a total increase of 5% over 25 years. Those who adopt this pattern could increase their monthly retirement income significantly.

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❑ **Choose pre-tax or Roth.** Pick Roth, pre-tax or both, knowing you can change later if necessary.[4] The general rule of thumb is, if you're early in your career or you expect to earn significantly more later in your career, then go with Roth. If you are middle-career and moderate income, then perhaps split your contribution between Roth and pre-tax. Or, if you already have accumulated significant tax-deferred savings, perhaps elect more Roth than pre-tax. Otherwise, choose ordinary pre-tax contributions.

❑ **Choose investments.** This can be scary for many people who have never invested. But don't let it scare you. And don't hesitate to call your plan's investment advisor. To get started, either pick a Target Date Fund with the date closest to when you'll turn age 65, or pick an asset allocation portfolio based on how much risk you want to take (younger employees generally can handle higher risk than those nearing retirement). If neither are options, then pick mutual funds that give you mostly stocks if you're young; or, if you're later in your career, go with funds that give you a more balanced mix of stocks and bonds. The unwritten rule is the earlier you are in your career, the more you should invest in stocks.[5] Your plan's enrollment materials likely have a guide to selecting investments, too. ■

[1] To understand the factors that affect your retirement savings needs, read here: www.TrustWealthAdvisors.com/Latest/SavingForRetirement.

[2] Calculator for personal retirement: http://www.bloomberg.com/personal-finance/calculators/retirement; calculator for 401(k) savings: http://www.bloomberg.com/personal-finance/calculators/401k/

[3] Here is a worksheet to calculate how much to save from each paycheck: "How Much Should You Save?": http://TrustWealthAdvisors.com/Latest/HowMuchShouldYouSave

[4] To understand the difference, read here: www.TrustWealthAdvisors.com/Latest/Roth.

[5] To put a little more thought into choosing investments, especially when changing investments for your existing balance, read here: www.TrustWealthAdvisors.com/Latest/FiveKeysToInvesting.