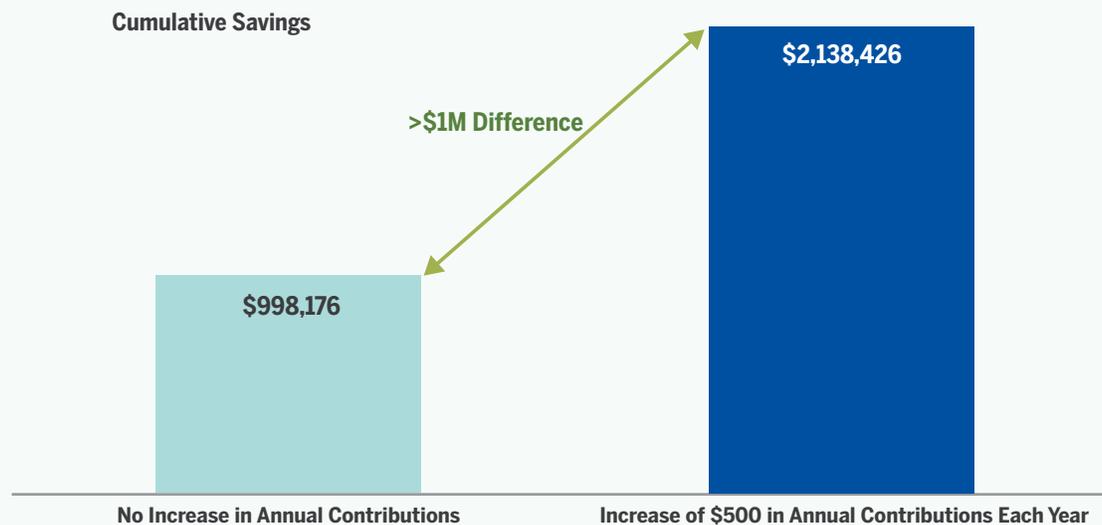


Planning for the Future

The contribution limit of a 401(k) will increase by \$500 on January 1, 2019. While it may not seem like much, contributing \$500 more per year and thus making continual sacrifices throughout an entire career can add up to a meaningful difference, helping to fund a more comfortable retirement.

Annual Increase in Retirement Contribution Can Be Very Meaningful



Source: Alger.

Note: Assumptions include 7% annual return, 40-year duration and \$5,000 initial annual contribution.

- Over the past two decades the 401(k) contribution limit rose by an average of about \$450 each year. Assuming the limit continues to rise in line with history, increasing the amount you contribute to a retirement account by \$500 each year would boost your total amount saved over 40 years by \$390,000 relative to contributing the same amount each year. This, for example, would mean contributing \$5,000 in year 1, \$5,500 in year 2, \$6,000 in year 3 and so on.
- Importantly, if one were able to achieve a 7% annual return over 40 years, the incremental return of the additional contributions would be even larger at just over \$750,000.
- Together the incremental contributions and return would boost cumulative savings over a 40-year period by over \$1,100,000.
- Investors should take that \$500 per year retirement contribution increase seriously—those extra savings can add up in the long term.

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Tax and ERISA matters are very complicated and the consequences to plans, plan sponsors, fiduciaries and participants will depend on the facts of a particular situation. We encourage retirement plan sponsors, fiduciaries and participants to consult their own advisors regarding these matters, including applicable federal, state, local and foreign laws and the effect of any possible changes in the law.

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