

Nearly two million Americans graduate from college with an undergraduate degree each year.

Most of those undergrads will enter the workforce, rather than continue on to a graduate degree. As these twenty-somethings begin earning wages from "real jobs" for the first time, many overlook the need to start saving for retirement. **However, saving early is more important than ever.** With pension plans becoming increasingly rare, and Americans living an average 22 years longer than they did when Social Security was created in 1937, today's youngest members of the workforce are largely responsible for their own retirement income.

The most common investment accounts used to save for retirement:

- ◆ **IRA** - If your employer doesn't offer a company retirement plan (or if you're currently under- or unemployed), start your own nest egg by opening an Individual Retirement Arrangement (IRA). These accounts provide tax advantages that a regular savings account does not. Your money is invested by the company managing the account. The maximum contribution to an IRA for anyone under age 50 is \$5,000 per year. Generally, it is easier to withdraw from an IRA than a 401(k). However, there are fees and penalties associated with early withdrawal. [Learn more about IRAs.](#)



- ◆ **401(k)** - Contributions are deducted directly from your paycheck by your employer, before taxes. The account is then taxed when a withdrawal is made. The current maximum annual contribution to a 401(k) plan is \$17,000. Also, many employer plans include a matching contribution - money your employer contributes in addition to your contribution. The best advice is to contribute the full amount allow, to receive the highest percent of employer matching funds. For example, your employer offers to match 50% of your contribution up to 3% - if you contribute the full 3%, you'll receive an additional 1.5% from your employer. That's free money for your retirement!

- ◆ **Roth vs Traditional** - Both IRAs and 401(k) plans offer two different types: Roth and Traditional. The basic distinction is when you pay taxes on the account. With a Traditional Retirement Account the taxes are paid when the money is *withdrawn*. Whereas a Roth Account the taxes are paid when the money is *added* to the account. Roth accounts are especially valuable to young workers, as they are more likely to climb into higher tax brackets as they age, meaning they would owe more in taxes on the same amount of money later in life.

The list above does NOT include 'keep cash under your mattress' as a suggestion. Money that isn't invested or deposited at the bank earns no returns or interest. Make your hard-earned money work for you by investing in an IRA or 401(k) or depositing it into an interest bearing savings account.

If you have questions about how to get started saving for your retirement, ask your employer's Human Resources department or speak to one of our [Retirement Experts](#) at 715-732-1732.