

# Retirement Planning

## Invest in Your Future





# Dreaming of Retirement

Do your dreams for retirement include traveling, vacations, time with family, or continuing to work? You'll want to be sure you've saved enough to reach your retirement goals. Planning today for what you want tomorrow will help you reach those goals. You can start by taking advantage of your company-sponsored retirement plan.



## Living Longer – Saving Enough

Today we are living longer, healthier lives; therefore, we need to plan if we want to have enough money saved to last a lifetime.

Social security, some pensions, and annuity payouts do not grow with inflation. Social security is really meant as a supplement to your retirement income. Almost 60% of your income in retirement will be left up to you. Smart planners know that they will need other forms of income, especially for the long term.

## Planning Ahead

By investing early, you can make a large difference in the amount you have saved by retirement age. The sooner you begin saving or contributing to a retirement savings plan, the better your chance of growing your investment over time.

## Sources of Retirement Income\*

*\*Typical income sources breakdown for a retiree*

**34%**

Social Security

**33%**

Work Income

**18%**

Company Pension  
or Retirement Plans

**11%**

Savings

**4%**

Other Sources

## Tax Advantages

The contributions you make to your company’s traditional 401(k) plan are deducted from your pay before taxes are withheld. As a result, your taxable income is reduced and you pay less in taxes.

Annualized Gross Pay	\$35,000	\$35,000
401(k)	0.00	-1,750
Taxable Pay	35,000	33,250
Federal Income Tax (18%)	-6,300	-5,985
FICA (7.65%)	-2,678	-2,678
Conventional Savings Account	-1,750	0.00
Net Take Home Pay	\$24,272	\$24,587

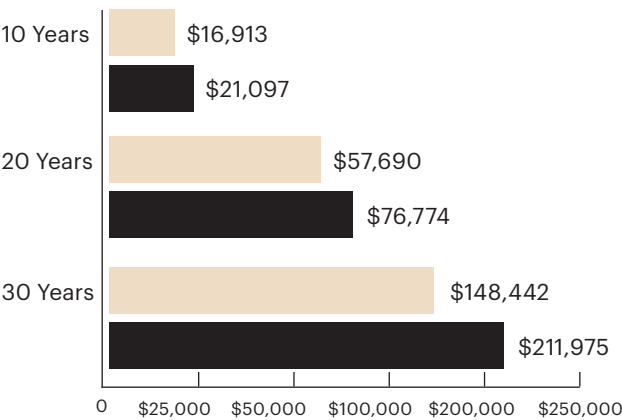
The money you have invested can also grow without being reduced by current taxes. This potential growth in savings is not taxed until the money is withdrawn, and is called tax-deferred compounding.

## The Benefit of Tax-Deferred Compounding

This graph compares the growth of \$100 per month (adjusted for inflation over time) contributed to a tax-deferred retirement account and the same amount contributed to a taxable account. Balance in the tax-deferred account will be subject to income taxes on withdrawal. Assumes 8% annual return, 4% annual wage inflation, and 15% federal tax rate. From the taxable account, taxes are taken monthly on deposits and annually on gains.

### Taxable Account

Tax-Deferred Account



\* Deferrals are subject to FICA tax

If your employer offers a Roth 401(k) feature, you can contribute after-tax payroll deferrals to your 401(k) plan. You pay taxes on your contributions up front, and when you’re ready to retire, your qualified plan withdrawals are tax-free. Your Summary Plan Description will indicate if you have this option.

# Saving the Right Amount

You must decide the amount of savings that is right for you. You can sometimes reduce your overall risk by spreading your contributions over different types of investments. Talk to your company’s financial advisor for guidance.

Only you can determine your personal savings goal and how much you are willing and able to contribute to your 401(k) plan each year. You can change the amount you elect to defer throughout the year if necessary.

Annual Salary	If you want to contibute this percent of your annual salary				
	3%	5%	8%	10%	15%
	your monthly contribution will be:				
\$20,000	\$50	\$83	\$133	\$167	\$250
\$30,000	\$75	\$125	\$200	\$250	\$375
\$40,000	\$100	\$187	\$267	\$333	\$500
\$50,000	\$125	\$208	\$333	\$417	\$625
\$60,000	\$150	\$250	\$400	\$500	\$750

## Growth and Risk

Every investment carries some risk. Understanding the types of investments offered through your plan will help you to make smarter choices about how much and where to begin investing.

- **Cash Equivalent/Money Market Funds:** A fund that seeks to maintain a stable net asset value by investing in the short-term, high grade securities sold in the money market.
- **Bonds/Fixed Income Funds:** A fund that invests primarily in bonds. Bond funds generally emphasize income over growth and can generate either taxable or tax-free income.
- **Stock Funds/Equities:** A fund that invests primarily in stocks.

## Diversify

Diversification means spreading your money across different types of investments to reduce your overall risk. You can level out the ups and downs of market cycles by diversifying.



# Your Opportunity to Save: Enroll

By putting aside just a small percentage of your pay today, you better the chances of your savings growing over time. Now's your chance to enroll.



## GuidedChoice Managed Accounts Service

Knowing how to make investment choices that will support your short- and long-term financial goals is difficult. To help you with those decisions, Paychex has partnered with investment advisor GuidedChoice to provide an online tool called Managed Accounts. Ask your plan administrator if this option is available for your plan.

GuidedChoice Managed Accounts Service provides plan advice based on your personal data and is designed to chart what may be the most effective path toward your retirement. Through appropriate asset allocation, Managed Accounts will develop a portfolio that can maximize your expected level of return based on a level of acceptable risk defined by you.

## The Saver's Credit

You may also be eligible for added savings through the Saver's Credit. Ask your tax professional if you qualify. The credit is generally a portion of the eligible contributions you make to a retirement plan or IRA and favors low-income individuals. You may be able to take a credit of up to \$2,000, or \$4,000 if filing jointly.

To claim the credit, you must have been born before January 2, 1998; not have been a full-time student during the calendar year; and not claimed as a dependent on another person's return.

For more information, visit the IRS website at [irs.gov](https://www.irs.gov) or contact your tax professional.



## Creating an Account

To register for the Paychex Retirement Services website, visit <https://paychexflex.com>, click Sign Up, enter the required fields, and provide answers to security questions.

**Note:** Some users may need to register through <https://benefits.paychex.com>, by selecting **Register for a new account**.

If you have a MyPaychex account, access the website through <https://www.mypaychex.com> and select **Register**.

After creating an account, log in by entering your user name and password in the appropriate fields and selecting **Retirement/Retirement Services** or **Benefits Online**.

You are eligible to enroll on the first entry date after fulfilling your plan's eligibility requirements. After logging in, you'll see the **Start Your Retirement Plan** or the **Enroll Now** notification if you are eligible.

## Enroll in the Plan

1. Log in to the website.
2. Click **Get Started | Enroll Now**.
3. Determine the percent of your pay you want to contribute and enter. Click **Continue**.
4. Select your investments in 1% increments, making sure they total 100%, or choose to have all your money invested in the plan's default investment. Click **Continue**.
5. Review the information and click **Submit**.

You can log in and update your plan elections at any time.

**Paychex is not licensed to provide investment advice.** If you would like to use GuidedChoice Managed Accounts Service, register for the website and click **Sign up now** using the Managed Accounts icon.



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**The Power of Simplicity**