Top 8 reasons to join your 401(k) plan

Your company offers a 401(k) retirement savings plan and you may want to consider joining the plan for a variety of reasons. Compared to other savings plans available to private sector workers, the 401(k) retirement plan has many benefits that can help you achieve your financial goals more quickly than a traditional bank savings account.

Here are 8 reasons why you should consider joining your plan:

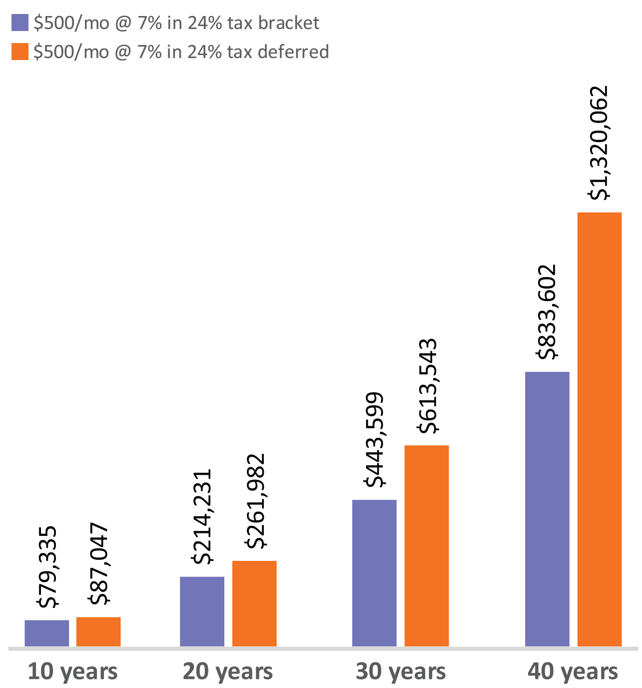
1. **You get two tax breaks annually.** First, your contributions are tax-deductible. This means that the money you contribute to your account does not count toward your gross income for the year, lowering your taxable income.

   Second, your money grows tax-deferred. With a 401(k) plan, your earnings remain in the plan which means you don't have to list the earnings as income on your tax return until you withdraw the funds. If you put your money into a bank savings or brokerage account, you would have to pay taxes on the interest or dividends earned in that year when you file your annual tax return. Your savings grow faster this way.

2. **Easy payroll deductions makes it painless.** You can skip going to the bank to make deposits into a low-earning savings account. With a 401(k) plan, your employer automatically deducts the amount you determine into your account each time you are paid. And since the deduction is taken before you get paid, most people don't even miss the money.

3. **You will save more.** One of the largest perks of an employer-sponsored 401(k) plan is the ability to get matching contributions from your employer. It doesn't matter if your employer matches all or part of your contribution, it's a proven way to accelerate your savings. Even if your employer's plan doesn't provide for a matching contribution, a 401(k) plan has investment options that may provide earnings above a traditional savings account.

The advantage of tax-deferred growth



This is a hypothetical illustration comparing the growth of $500/month invested in a taxable account and a tax deferred account and what those accounts would be worth at various points in time. This is for illustrative purposes only and does not represent the performance of any particular investment vehicle. Your return will vary.

4. **Dollar cost averaging lets you buy low, sell high.** Sophisticated investors use this strategy to help build wealth faster. Instead of watching and waiting for the bottom price at which to buy, you consistently apply the same amount of money to buy securities over time. When prices are high you buy fewer shares, but when prices are low you buy more shares. This tends to lower the average cost of all of your shares over time. Since 401(k) savers make a contribution with every paycheck, by default they use this strategy.

The benefits of starting early – compounding interest

Starting age	Jane: age 25	Rob: age 35
Years to retirement	40	30
Monthly contribution	$150	$300
Total contribution	$72,000	$108,000
Total investment earnings	$451,651	$339,108
Total retirement savings	$523,651	$447,108

Rob contributed $36,000 more than Jane, yet she ended up with $76,500 more at retirement

Assumes 8% return. Quoted returns are hypothetical and do not represent the return of any particular security or group of securities. Information is for illustrative purposes only. Past performance is not indicative of future results. Actual returns may be more or less than this example.

5. **Your interest compounds.** This can be a difficult concept for new 401(k) savers to grasp, but it's what makes starting as early as possible in a 401(k) plan a very powerful savings tool. Simply put, your earnings remain in your account so you essentially earn interest on your original money plus any interest your investments have earned. Over the short term, the gains may appear small. However, as time passes, you can see exponential results.

6. **It's an inexpensive way to create a diversified and professionally managed investment portfolio.** With a 401(k) plan, the work to find appropriate investments is done by your employer and the professional advisors they hire to assist them. Doing this yourself could prove to be time-consuming. If you wanted to create an investment portfolio on your own, you would have to choose from literally thousands of mutual funds and listed equities, not to mention corporate and government bonds, savings accounts and money market mutual funds.

7. **Your money is portable.** If you leave your current employer, you do not need to cash out of your 401(k) plan. You can leave the money in the existing plan, or may choose to rollover your savings into your new employer's 401(k) plan or an IRA. The most important thing to remember is that your savings is tax-deferred as long as you keep it in a qualified retirement vehicle.

8. **Emergency access to your money.** Loans and hardship withdrawals may let you withdraw money in an emergency. Many 401(k) plans offer loans which you are required to repay, or hardship withdrawals which do not require repayment. Each plan is different, but most provide a way of getting your money out of the plan in an emergency.

Saving for a comfortable retirement is not difficult, especially if you join your company's 401(k) plan. These retirement vehicles offer a wide range of benefits designed to help you take control of your financial future, today.