



Increase Retirement Plan Contributions Without Impacting Your Lifestyle

One of the best times to your retirement plan you get a raise. Any you have the opportunity retirement savings or retirement without lifestyle. Additionally, if match, you may be able by contributing to the



think about increasing contributions is when time you earn a raise, to increase your begin saving for impacting your current your company offers a to *increase* your raise retirement plan.

As an example, if you increase, you can direct

your retirement plan and your take-home pay would likely not change significantly. If your company matches half of your retirement plan contributions, adding 2.5% in this example, then your raise can be even higher. Now you are contributing 7.5% per year towards retirement and you don't have to change your lifestyle.

receive a 5% salary 5% of your total pay to

For example:

Current Deferral (3%)	Current Take Home Pay	New Salary (5% increase)	New Deferral (5%)	New Take Home Pay
\$1,200/year	\$38,800/year	\$42,000/year	\$2,100/year	\$39,900/year

*Example assumes a \$40,000 salary.

When you increase your deferral percentage simultaneously with a pay increase you save more and your take home pay is still higher!

Another approach would be to direct a portion of your raise to the plan so you can still enjoy larger paychecks. If you choose to contribute 3% of your 5% raise to the plan, you still get the impact of a 2% raise while adding to your retirement savings.

Finally, taxes always seem to get in the way of feeling the impact of a raise. If your taxes and other deductions reduce your gross pay by 25%, then your \$1,000 raise feels like \$750 by the time it gets to your final check. If you contribute the \$1,000 to the pre-tax retirement plan, you get to put the entire \$1,000 (plus more if there is a match) to work now and defer taxes until you pull the money out.

For more information please contact our retirement plan consultant, Thomas Padilla, at 610-254-0451 or tpadilla@tp-advisory.com.

When taking withdrawals from an employer plan account before age 59½, you may have to pay ordinary income tax plus a 10% federal penalty tax. Fees and expenses associated with a retirement plan and its underlying investments may impact performance. Retirement Plan features, such as matching limits and vesting schedules, may vary. Please check with your retirement plan consultant regarding your company's retirement plan features.