

DON'T JUST RETIRE... CASHRICH RETIRE WEALTHY

By LaToya M. Smith

Forget about all the get-rich-quick schemes. Building a healthy retirement reserve is a slow and steady process that takes patience, consistency, and prudent investing. And planning for it is your individual responsibility as more investment decisions are being shifted from companies back to employees. Although the recession's impact on retirement savings woke many of us up, studies show many still lack a savings plan, are fearful of investing, or may not be saving enough. This is your opportunity to give yourself a retirement report card. **BLACK ENTERPRISE** teamed up with ING Direct to show you how making small contributions now can have a big impact later, how loans against your retirement savings can set you back, and how factors such as debt can delay your golden years.

So grab your laptop and follow the infographics on the next three pages to see how you're doing.

It Adds Up!

If you invested just

\$15 ^a **week**

(the cost of about **five cups of coffee**)

for **40 years,**

= \$115,000!



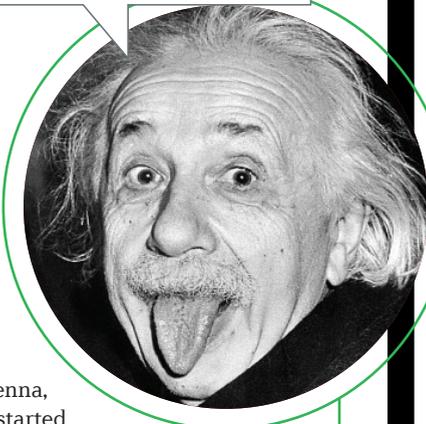
OK, so maybe coffee's not your thing. What are you spending \$15 on that you could be used to fund your retirement with instead? A weekly manicure? Dining out? Find out how much you can save by reducing your spending at <http://partners.leadfusion.com/tools/ingdirect/savings13/tool.fcs>



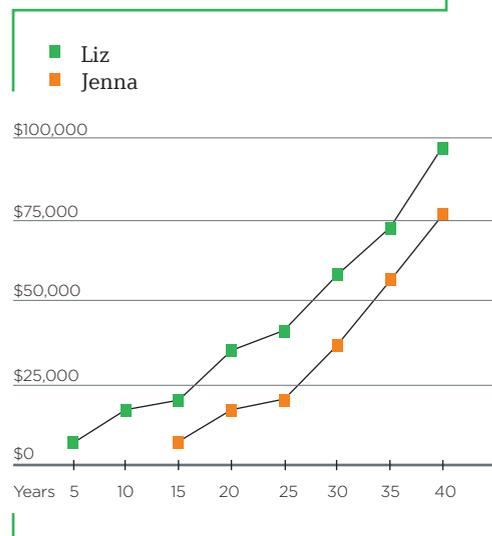
*This formula is based on a 6% annual rate of return. If the investment were made in a tax-deferred vehicle such as an employer's 401(k), 403(b), or 457 plan, taxes would be due upon withdrawal at the investor's current tax rate.

The Power of Compounding Interest

The greatest mathematical discovery of all time.
—Albert Einstein



Liz and Jenna, both 24, started working for the same employer on the same day. After a year, when she was eligible to participate in her employer's plan, Liz began making an annual contribution of \$1,000, but stopped investing after 15 years. Jenna waited 10 years before joining the plan, then invested the same \$1,000 a year until age 65. Both earned an 8% rate of return. Liz invested for 15 years (contributing \$15,000 total) and Jenna for 30 years (contributing \$30,000), yet Liz came out ahead at age 65 with just under \$100,000 while Jenna has only \$75,000.



The Longer You Wait, the More You Lose.

If you start with a **\$200 monthly contribution** at **age 25** that earns **6% interest**, you can have an account balance of more than **\$381,000** by age 65. Start at 30 and you'll have almost \$275,000 but will have earned more than \$100,000 less than someone who started with the same contributions five years earlier. Are you losing out? Find out at www.ingcompareme.com.

Beginning Age	Account balance at age 65	Years lost by waiting	Lost Earnings
25	\$381,535.55	0	\$0.00
30	\$274,720.79	5	\$106,814.76
35	\$194,902.59	10	\$186,632.96
40	\$135,257.79	15	\$246,277.76
45	\$90,687.73	20	\$290,847.82
50	\$57,382.38	25	\$324,153.17
55	\$32,494.69	30	\$349,040.86
60	\$13,897.16	35	\$367,638.39

It Doesn't Cost as Much as You Think to Contribute

Here's how the same paycheck might look if you increased your contributions. Adjusting your contribution percentage can affect take-home pay very little, but your long-term account balance a lot.

Salary per period: **\$3,916.67**

Pre-tax reductions			
Qualified plan contribution	\$336.83 (8.60%)	\$415.17 (10.60%)	\$493.50 (12.60%)
Total Deductions	\$898.95	\$874.16	\$849.37
Net Take-Home Pay	\$2,680.89	\$2,627.34	\$2,573.80
Taxes Deferred	\$106.61	\$131.40	\$156.19
After 10 years	\$109,852.00	\$135,399.00	\$160,946.00
After 20 years	\$306,581.00	\$377,879.00	\$449,177.00
After 30 years	\$658,893.00	\$812,123.00	\$965,354.00

Run the numbers based on your situation. Visit ING's Retirement Contribution Rate Calculator. This contribution rate calculator will show you the long-term financial impact of small increases in contribution rates. <http://ing.us/individuals/tools-calculators/retirement-contribution>

* Represents a married, 61-year-old New York State resident, filing jointly, who earns \$94,000 a year with no employer match

John is 35 and wants to take a hardship withdrawal from his plan account to pay for graduate school.

The **Real** Cost of Taking a **WITHDRAWAL** from Your **401(k)**

\$10,000
Actual withdrawal amount

\$2,000
20% federal tax withholding

- \$1,000
10% early withdrawal penalty

Total available for tuition: **\$7,000**

meaning you lose \$3,000 on your withdrawal

*Additional taxes may apply

The **Real** Cost of Taking a **LOAN** from Your **401(k)**

\$10,000
Original Loan

\$1,600
Interest paid with after-tax dollars

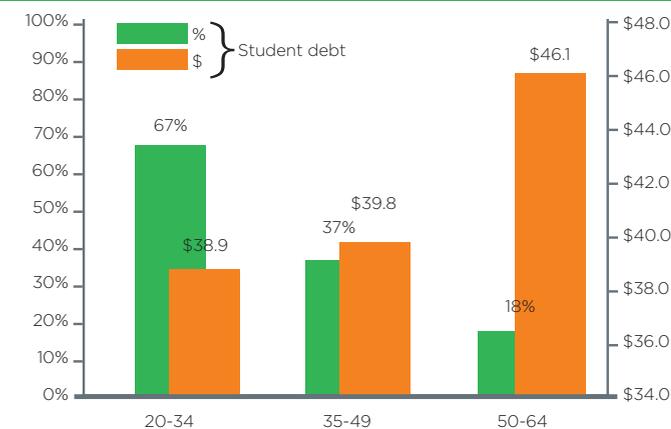
+ \$448
Additional taxes paid when money is withdrawn at retirement

Total cost of loan: **\$12,048**

*BE does not encourage withdrawals or loans against retirement savings. It could reduce your overall retirement potential.

Even "Good" Debt Can Derail Your Retirement

African Americans report that **debt** is their **most significant** barrier to saving. Older African Americans have more consumer debt than their younger counterparts. And even though just **1 of 5** older African Americans has **student loan debt**, their balances are **higher** than younger African Americans, possibly due to carrying their own debt combined with loans for one or more of their children. This is a phenomenon unique to African Americans and Hispanics; for whites and Asians, the burden of student loan debt shrinks with age. Middle-aged and older black parents need to find ways to spend less on college and more on retirement.



So how are you doing?

Are you contributing enough to your retirement? Visit My Retirement Outlook at <https://emro.ingplans.com/emro/mro.action>



to identify any potential shortfalls in your retirement savings and get a better understanding of what you need to do to meet your income objectives. Other calculators and worksheets can be found at ING's Tips and Tools site.

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