



NATIONAL SAVE FOR RETIREMENT WEEK

The Benefits of Before-Tax Investing

IT CAN PAY TO SAVE THROUGH YOUR PLAN!

Your Plan contributions are deducted from your paycheck before federal income tax (and, in most cases, state income tax) is calculated—thereby reducing your current taxable income.

By contributing before tax in your Plan, you may have more money in your pocket than if you were contributing the same amount to an after-tax account.

Consider this example: Sarah earns \$2,000 a month in regular pay and wants to save and invest \$100 a month in the Plan. Let's compare how much she would save before tax (through the Plan) and after tax (at a bank or in some other type of savings vehicle).

SARAH'S PAYCHECK COMPARISON

	Contributing Before Tax	Contributing After Tax
Gross Pay	\$2,000	\$2,000
Minus Before-Tax Contributions	<u>- \$100</u>	<u>\$0</u>
Taxable Pay	\$1,900	\$2,000
Minus Estimated Tax Withholding from Paycheck	- \$361	- \$380
Minus After-Tax Contributions to Other Accounts	<u>\$0</u>	<u>- \$100</u>
Spendable Pay	\$1,539	\$1,520
Before-Tax Advantage	\$19	

By contributing before tax in the Plan, Sarah has \$19 more to spend (or save) each month—that's \$228 a year!

This hypothetical illustration assumes 15% federal income tax withholding and 4% state and local income tax withholding. It doesn't account for Social Security, Medicare, or other taxes.