Your 401(k) Plan Open Enrollment

Want to become a millionaire? The first step may be to enroll in your company's 401(k) plan….

It's time to think about signing up for your 401(k) plan. If you're already signed up, then it's time to think about increasing your deferral percentage. Saving through a company sponsored 401(k) plan is one of the easiest ways to save for retirement.

It's as easy as 1—2—3…

1) Ask your HR department for an election form
2) Complete the form and turn it in by

   ____

3) Watch your investment grow…

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Who wants to be a millionaire?

Most people dream of becoming a millionaire but think it is out of reach. How much do you need to invest to become a millionaire? Not as much as you might think. If you start early enough, it takes less than $100,000 invested over your career to become a millionaire. If you save just $2,000 a year from age 18 to age 65 (for a total of $96,000 over 47 years) then your account balance will equal over $1,000,000 at retirement age (assumes an 8% interest rate).

Even if you don't want to be a millionaire, you'll need to make sure you save enough to have a comfortable retirement. Unlike in the past, planning to rely only on Social Security payments may not provide you with the type of retirement you desire. As of 2009, the average monthly social security benefit was $1,153. Is that enough for your retirement? For current retirees, that is normally only 37% of the amount they need to live comfortably. The rest comes from their retirement accounts and other savings. Experts estimate you'll need between 70% and 90% of your current income in order to maintain the same lifestyle in retirement.

Why is saving in a retirement plan so easy? There are so many reasons:

1) Your employer will automatically deduct your contribution from each payroll. That way the money is subtracted from your pay and you won't have a chance to spend it. Contributions are flexible, so you will have the opportunity to change or stop your deferral throughout the year.
2) 401(k) deferral contributions are not subject to federal or state taxes. That means it costs you less to save more. For example, if you choose to defer $100 into your plan, your paycheck will only decrease by approximately $80. The other $20 is tax savings.
3) When you contribute to your retirement plan, your employer may also contribute to your account. If they do, it is called a company match. The amount is based on your salary and how much you contribute. So, the more you save, the more money you may be eligible to receive. In the case above, if you defer $100 into the plan, your company may deposit a match of $100. Now you've got $200 in your plan for a cost of only $80. (Note: Not every company provides a matching contribution.)
4) Not only are retirement contributions not taxed when they are contributed to the plan, you won't have to pay any income taxes on the money until you use it. This allows your account balance to grow tax-free for years — faster than if you invested in a savings account. For example, if you saved $2,000 a year for 20 years, you would accumulate $83,000 if you saved in a savings account compared to $103,000 in a retirement plan (assumes an 18% tax rate and 10% earnings).

Contact your HR department to start saving today!