WorthKnowing

Consider Increasing Your Contributions: Small Changes Add Up

A Resource Series for Saving & Investing

Try adding 1% of your salary to what you're already saving. Then take some time to see how the increase fits before deciding whether or not you're ready to try to save more.

A one percent increase in savings shouldn't sound like a lot, and over time it can make a big difference in your long term savings. Whether retirement is right around the corner or many years away, the money in your plan may continue to grow and earn income on the income generated by your contributions – a financial phenomenon called compounding. Given the tremendous potential long-term payoff, many investors find it compelling to increase their savings by 1% as often as possible.

By adding just a few extra dollars a week to your plan contribution, your savings may grow dramatically by the time you retire. With a little thought you can find ways to easily increase your savings.

Consider these simple steps to help you work toward growing your savings and achieving your goal of a financially secure retirement.

Start small: keep your goal realistic

If your goals for saving aren't realistic you're not as likely to stick to them, so start small. Try adding 1% of your salary to what you're already saving. Then take some time to see how the increase fits before deciding whether or not you're ready to try to save more.

Here's how a small increase to your contribution might add up over time:

An additional contribution of:	10 years	20 years	30 years
$10/month could add up to ...	$1,630	$4,530	$9,750
$20/month could add up to ...	$3,250	$9,070	$19,490
$30/month could add up to ...	$4,870	$13,600	$29,240
$40/month could add up to ...	$6,500	$18,190	$38,980

This example assumes a 6% rate of return and contributions made at the end of each month. This illustration is hypothetical, is not guaranteed, and is not intended to reflect the performance of any specific investment. The results have been rounded up and there is no assurance that increasing contributions will generate investment success. In addition, these figures do not reflect taxes or any fees or charges that may be assessed by the investments. The tax-deferred investments will be subject to taxes on withdrawal. Systematic investing does not ensure a profit nor a guarantee of return.

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Take a good look at your spending

Track how much you spend for a month then look for ways to free up some money for investing. It may not be hard to find a few extra dollars each week to contribute to your plan without feeling deprived.

Give your savings a raise

Consider investing any "extra" income in your retirement savings plan.

Review your investment strategy

Your investment portfolio will serve you best if it mirrors your goals, financial objectives and lifestyle.

Fine-tune your approach

Look at your mix of investments and decide whether you would be willing to accept more risk in part of your portfolio in exchange for potentially higher returns. Then take some time to review the investment choices available to you through your plan. Try to be as aggressive as you are reasonably comfortable with – even a small increase in returns can have a dramatic effect over the long run.

Keep up the pace

As your investment time horizon, comfort level with risk, and overall financial situation change over time, your portfolio needs to be updated regularly to keep pace with your life changes and goals. Be sure to review your portfolio once or twice a year to make sure it really reflects what's important to you.

The time to make small changes is now, because small adjustments today may translate into big returns tomorrow.

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