# BUILDING BLOCKS FOR RETIREMENT

## Investment Strategy

## Climbing Mt. Retirement

Mountain climbers rely on their equipment and supplies. But to reach a summit, they also need perseverance — the commitment to stay with the climb despite the difficulties. You're in a similar situation as you look ahead to your eventual retirement. You have the right equipment — your retirement savings plan. Your payday contributions and any potential investment returns supply the upward push. And to reach your retirement savings summit, you have to persevere throughout your career.

### No Contribution Gaps

Making a steady effort to increase your savings is key to achieving the plan account balance you'll need for retirement. If the investment markets drop sharply, you may be tempted to reduce or even suspend your contributions until conditions improve.

But you can't afford even a "temporary" pause. The reason: A gap in savings can make a big difference in your account balance by the time you retire. For example, the balance of a retirement plan participant who saved $100 a month between ages 25 and 67 would have grown to $304,371, assuming a hypothetical 7% average annual investment return compounded monthly. If the participant had skipped just two years (at ages 35 and 36, a total of $2,400 in contributions) and nothing else changed, the balance at retirement would have been almost $21,000 lower!

### No Investment Retreat

Low market returns also might prompt you to concentrate your savings in low-risk investments, such as cash equivalents, instead of persevering with a well-diversified mix. Unfortunately, the low returns that are characteristic of low-risk investments may mean that your balance at retirement will be well short of your needs.

### No Loans

Your plan may allow participants to borrow money from their accounts. But avoid that path if you can. Unless you can keep contributing while you repay a plan loan, you'd create another costly gap in your savings effort. And your loan amount will cost you tax money, since your loan repayments will be taxed twice — first, when you earn the loan payment amount, then again when that money is paid out at retirement. Finally, if you leave your job and have an outstanding loan balance, you'd most likely have to repay it quickly or else it would be considered a plan distribution, subject to taxes and possible penalties.

### No Early Withdrawals

Withdrawing savings before you retire is like stopping halfway up the mountain, going down partway, and then restarting your climb. Any early withdrawal creates a gap in your retirement savings effort. Replacing part or all of a withdrawal with new contributions won't be easy, and you'll never recover the time lost for compound growth to work its magic.



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