*Wisconsin Deferred Compensation Program*

## Are Your Savings Habits Putting You in a Hole?

It's human nature to focus on immediate needs rather than long-term goals. But human nature may not be your best guide when it comes to retirement planning. According to a recent survey, approximately half of respondents between the ages of 35 and 44 have less than $25,000 set aside for retirement. One-third of respondents 45 and older fell into the same category. Even more frightening, 25% of all respondents said they have absolutely no savings of any kind.[1]

By saving too little for retirement—or not saving at all—people can dig themselves a hole that will be difficult to escape. If you are one of these people, you might want to remember what's commonly known as the "First Rule of Holes": When you find yourself in one, stop digging. One of the best ways to stop digging is to increase your contributions to your WDC account. Here are four reasons why:

1. **With the WDC, you pay yourself first.**
   Your contributions to your WDC account come directly from your paycheck. That means you can make saving for your retirement a priority.
2. **Smart investing can outpace inflation.**
   If you're putting your money in a low-yield option like a savings account, you may be earning less than the rate of inflation. The WDC has a wide choice of investment options that can help you build a portfolio designed to outperform inflation, which may help you add even more to your retirement nest egg.
3. **The WDC offers the potential for tax-deferred compounded growth.**
   The money you contribute to your WDC account comes out of your pre-tax income. By participating, you can actually lower the amount of income taxes you pay each pay period. Also, the money you contribute can stay in your account and continue to generate more earnings on a tax-deferred basis—a phenomenon known as "compound growth." You only pay taxes when you make a withdrawal, which for most people is when they've retired and are in a lower tax bracket than when they originally earned the money.
4. **You can make up for lost time with catch-up contributions.**
   The IRS limits the amount you can contribute to your WDC account to $15,500 annually. However, if you're 50 or older, you can contribute another $5,000 annually to your account. If you're within three years of standard retirement age (which is 65 years old, in most cases) and haven't contributed the maximum amount in previous years, you may be eligible to contribute as much as $15,500 more! Check with a WDC representative for more information.

The good news: It's never too late to start saving more for your future. By increasing your contributions to the WDC today, you can get yourself out of your savings hole and start building the savings momentum you need for a more comfortable retirement. ■

1 Survey by the Employee Benefit Research Institute and Mathew Greenwald & Associates, cited in "Have Less than $25K in Savings? Get in Line," April 11, 2007, CNNMoney.com, http://money.cnn.com/2007/04/10/pf/retirement/ebri_survey_2007/index.htm.

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