Time Is Your Friend in Investing

If an uncle died and left you $50,000 in his will, would you prefer to get your hands on that money today or wait a year to receive it? Most likely, your answer would be: "Now, please." You know instinctively that the sooner you receive the money, the sooner you can benefit from it.

It works much the same way with saving for retirement. The sooner you begin adding more to your retirement plan, the more time your extra contribution will have to grow and compound. Compounding is basically money making money. And time is a big part of the magic of compounding. The longer your money is invested, the more you potentially benefit from compounding.

The cumulative result after years of contributions and earnings may be the nest egg you'll need to see you through your retirement years. You can put time and compounding to work on your behalf right away by increasing your retirement plan contribution.

Growing Your Savings

An extra retirement plan contribution of $200 a month could potentially grow to:	
After 10 years	$32,776
After 20 years	$92,408
After 30 years	$200,903
After 40 years	$398,298

Source: DST Systems, Inc.
This is a hypothetical example used for illustrative purposes only and is not representative of any particular investment vehicle. It assumes a 6% average annual total return compounded monthly. Your investment performance will differ. Because of the possibility of human or mechanical error by DST Systems, Inc. or its sources, neither DST Systems, Inc. nor its sources guarantees the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. In no event shall DST Systems, Inc. be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of the content.

The Saver's Tax Credit -- Can You Benefit?

It's not always easy to keep contributing to your employer-provided retirement plan. Bills and unexpected expenses can eat up most of your salary, leaving little for retirement savings. You might be tempted to forget about it until you start earning more money.

But before you stop or cut back (or never start) contributing to your plan, understand that you could be entitled to a federal tax credit called the Retirement Savings Contributions Credit, or Saver's Credit, if you meet certain income requirements. In effect, the credit repays a percentage of the contributions you make to your 401(k) or other retirement savings plan by reducing your income tax liability for the year. It may be just the thing that enables you to keep participating in your retirement plan or increase your contributions.

What It Is

The credit is a percentage -- 50%, 20%, or 10% -- of up to $2,000 in qualified retirement savings contributions for a maximum credit of $1,000 (or twice that amount for a married couple filing jointly who each contribute $2,000). The percentage depends on adjusted gross income (AGI) and filing status. The credit is available for contributions to a 401(k), 403(b), governmental 457(b), SIMPLE IRA, or salary reduction SEP as well as for traditional and Roth IRA contributions.

To claim the credit, you must be at least age 18, not claimed as a dependent on another person's return, and not a full-time student. You will not be able to claim the credit if your AGI exceeds the top of the range for the 10% credit.

	2019 Tax Credit			
	50% of Contribution	20% of Contribution	10% of Contribution	0% of Contribution
Tax Filing Status	**Adjusted Gross Income**			
Married Filing Jointly	$38,500 or less	$38,501-$41,500	$41,501-$64,000	> $64,000
Head of household	$28,875 or less	$28,876-$31,125	$31,126-$48,000	> $48,000
All other filers*	$19,250 or less	$19,251-$20,750	$20,751-$32,000	> $32,000

*Single, married filing separately, or qualifying widow(er)
Source: irs.gov
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