CALIFORNIA 457 BENEFITS
Plan Administration & Investment Advice

# Your Deferred Compensation Plan - A Great Savings & Investment Tool

## Why is deferred compensation better than conventional savings and investing?

First, deferred compensation gives you a significant tax break. With a credit union or bank savings account, you pay taxes on the income and invest after-tax money. Deferred compensation savings are pre-tax, which allows you to invest the full amount. Tax money that would have gone to the government instead gets invested in your account. Second, you will not pay any taxes on interest, dividends or capital gains while you contribute. And the advantage grows the longer you can invest in the plan, as illustrated below:



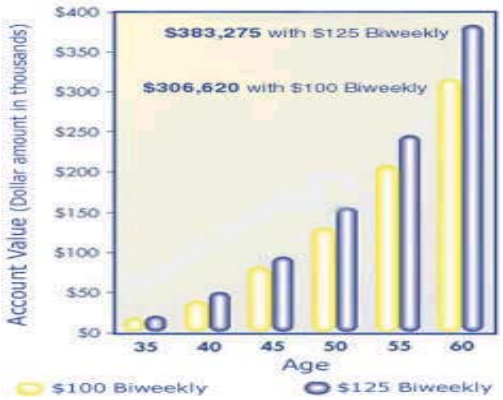
(Deferred compensation vs. conventional savings account estimate of amount left for investment assumes you're in the 28 percent federal tax bracket. Comparison of returns over time assumes you contribute $200 monthly and earn 8%. State of CA income tax savings may enhance benefits. For illustrative purposes only. Actual results may be higher or lower.)

## Does it matter when I begin saving?

It makes a huge difference. If you begin saving $100 biweekly today and earn an average of 8% annually, in 25 years you'll have $206,908 available. But if you wait five years to start, your account would have only $128,079. (See table on page2). That's more than a $78,000 difference in your account. Over time, compounding of earnings does most of the work for you.

## How much should I contribute?

You should contribute as much as you can afford to put away for retirement, because every extra dollar you save will have an enormous impact over the long term. Say you are 30 years old and contribute $100 biweekly into your account. At age 60, if you earned 8% on your investment, you would have $306,620. But if you contributed just $25 more biweekly, you would have $383,275. As the graph below shows, a little extra goes a long way toward securing your retirement.

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# Deferred Compensation Guide

## Compounding of Earnings Can Build Your Wealth

**First while you are working…**

How much would you have if you invested the following amounts assuming an 8% compound annual return?

| **Contribution Per Paycheck** | Number of Years Until Retirement | Actual Money Invested (Assuming no return) | Amount of Money Accumulated for Retirement (Assuming 8% return) |
|---|---|---|---|
| $50 | 10 | $13,000 | $19,870 |
| $50 | 20 | $26,000 | $64,039 |
| **$50** | **25** | **$32,500** | **$103,454** |
| $100 | 10 | $26,000 | $39,740 |
| $100 | 20 | $52,000 | $128,079 |
| **$100** | **25** | **$65,000** | **$206,908** |
| $250 | 10 | $65,000 | $99,353 |
| $250 | 20 | $130,000 | $320,197 |
| **$250** | **25** | **$162,500** | **$517,270** |
| $500 | 10 | $130,000 | $198,706 |
| $500 | 20 | $260,000 | $640,394 |
| **$500** | **25** | **$325,000** | **$1,034,540** |

Note: The 2016 maximum for those under the age of 50 is $692.31 per paycheck.

As you can see from the table above, compounding of earnings does most of the work for you over long time periods.

**Then when you are in retirement…**

How much would you receive per month in retirement assuming you made a more conservative 5% compound annual return?

| **Amount of Money Accumulated at Retirement** | Monthly income over | | |
|---|---|---|---|
| | 10 Years | 15 Years | 20 Years |
| **$50,000** | $530 | $395 | $330 |
| **$100,000** | $1,060 | $790 | $660 |
| **$200,000** | $2,120 | $1,581 | $1,320 |
| **$300,000** | $3,180 | $2,370 | $1,980 |
| **$400,000** | $4,240 | $3,163 | $2,640 |
| **$500,000** | $5,300 | $3,950 | $3,300 |

Disclaimer: The assumed rates of return are hypothetical for illustration only. They do not imply or guarantee future returns on any investment option. Monthly income numbers assume depletion of principal to zero at the end of term. Amounts withdrawn are subject to ordinary income tax.

**Your deferred compensation plan can mean the difference between an adequate retirement and the retirement you want.** Don't delay! Contact your dedicated CA 457 deferred compensation representative **Warren Isenberg** to enroll or increase contributions today. Warren can be reached at 800-770-0457 or warren@walkerfinancial.com.