

# Retirement Today

an educational series for retirement plan investors



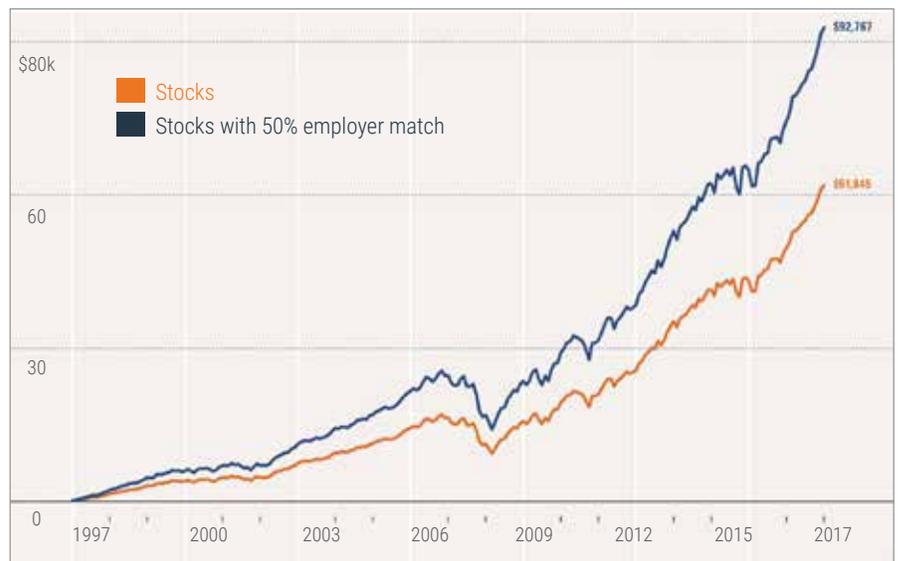
Top Three 401(k) Advantages

## In This Issue

- Top three advantages
- What is dollar cost averaging?

One of the best ways to save for retirement is through maximizing the benefits of an employer sponsored plan, or 401(k). Consider the following advantages.

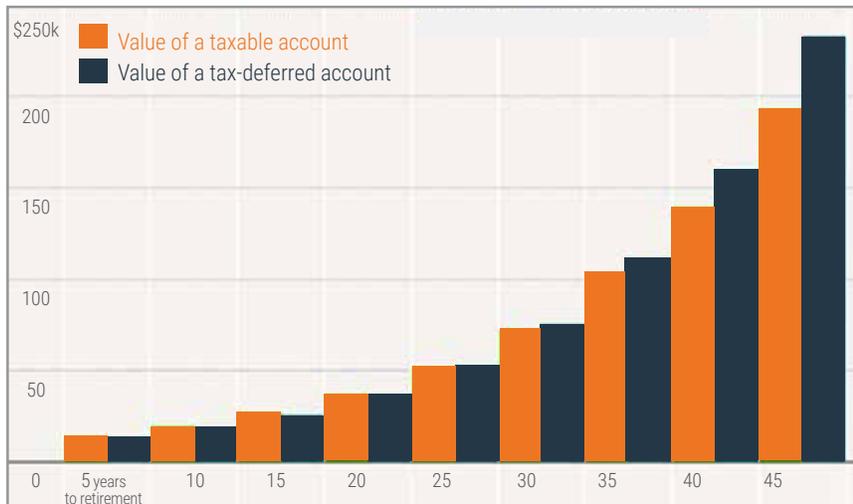
- 1. Employer Match.** One of the best things about an investor's contribution to his or her 401(k) is free money in the form of an employer's matching contribution. The chart below reflects the hypothetical value of a \$100 monthly contribution with a hypothetical 50 percent employer match. The employer match is like earning additional money on top of one's salary.



Past performance is no guarantee of future results. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2017 Morningstar. All Rights Reserved.

- 2. Investing Convenience.** Systematic investing such as participation in an auto-enrollment program and automatic payroll deductions make contributing to retirement savings easier under the premise, "You don't miss what you don't see." Also, contributing a set amount at regular intervals can help investors maintain a disciplined investment strategy through a range of market conditions while providing access to the potential benefits of dollar cost averaging (see next page to learn more about dollar cost averaging). Auto features such as automatic escalation and automatic rebalancing are additional tools gaining in popularity to help plan participants more easily stay on track toward meeting their retirement goals.

**3. Tax Advantages.** Another highlight of 401(k) investing is that contributions are made in pre-tax dollars, thereby reducing an investor's taxable income. Not only does an investor benefit from paying less in taxes today but over time, he can participate in tax-deferral compounding potential. The example pictured below illustrates the hypothetical growth of a tax-deferred investment.



Hypothetical value of \$10,000 invested in stocks. This example is for an investor in the 28% bracket using the 2017 tax code. Assumes an 8% annual total return. Estimates are not guaranteed. This is for illustrative purposes only and not indicative of any investment. © 2017 Morningstar. All Rights Reserved.

## What is Dollar Cost Averaging?

When you systematically invest a monthly amount into your 401(k) from your paycheck, you are potentially taking advantage of dollar cost averaging. Thus, when an investment price is lower, your prescribed contribution allows you to purchase more shares and when an investment price is higher, fewer shares. Over time, this process has the potential to reduce the average cost of shares you purchase and could result in more total shares owned. Consider this example:

Buying \$1,000 worth of shares in the first month, at \$14.23 per share, would have resulted in owning 70 shares. Using dollar-cost averaging over the course of the five-month period (during which shares are purchased at varying prices), netted 74 shares at an average price of \$13.35 per share.

Share Price	One-Time Investment	One-Time Investment Shares Acquired	Monthly Investment	Monthly Shares Acquired
\$14.23	\$1,000	70	\$200	14
\$12.50			\$200	16
\$12.91			\$200	15
\$13.22			\$200	15
\$13.89			\$200	14
<b>TOTAL:</b>	<b>\$1,000</b>	<b>70</b>	<b>\$1,000</b>	<b>74</b>

This hypothetical example is to illustrate the concept of dollar cost averaging and not indicative of any investment's performance. Past performance is no guarantee of future results. Expenses have not been included in this illustration that could affect performance. Dollar cost averaging does not assure a profit and does not protect against loss in declining markets. It involves continuous investment in securities regardless of fluctuating price levels, so an investor should consider his/her financial ability to continue purchase through periods of low price levels.

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