

# Day “Break”

## How to Give Yourself A Pay Raise in Your 401(k)



*We’ve all heard the phrase, “Pay me now, or pay me later.”*

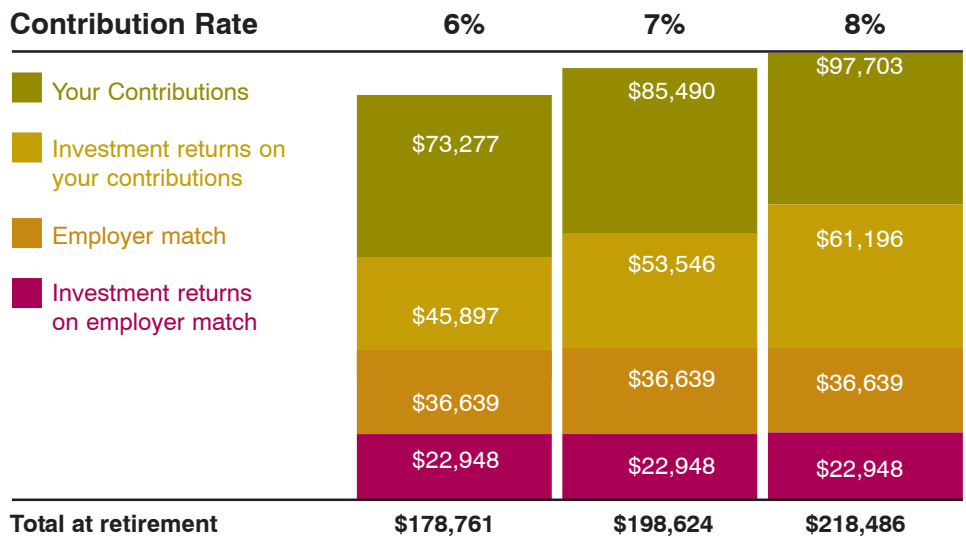
*However, when it comes to retirement savings, it would be more accurate to say, “Pay me now so that I can pay me later.” That’s because, when you save for retirement, you are literally putting aside money now that you will “pay” yourself later on when you aren’t working for an income.*

*It’s easy to forget about that when you are living in the here and now but if you can find a way to set aside a little more now, you might be surprised at how big a difference it can make in that final nest egg and, when you break it down to a daily basis, it may be even easier to save than you think.*

Let’s assume that you make \$30,000/year, that you contribute to your 401(k) at a 6% rate, and that your employer puts 50 cents into your account for every dollar you contribute up to that level.

If you are 40 years old, and plan to retire at 67, you could wind up with more than \$175,000 at retirement (assuming a 4% return on your investments, and a 3% rate of inflation).

However, if you increased that contribution rate just a bit, with the same assumptions, you could end up with a lot more. For example, look what could happen if you increase your savings rate by just 1% - less than a dollar a day:



*This is a hypothetical illustration and not representative of any specific investment. Your situation will vary.*

Of course, what is really important is not how much you will have, but how much you will need. You can get a ballpark estimate of how much you will need to save at [www.asec.org/ballpark/ballpark.htm](http://www.asec.org/ballpark/ballpark.htm).

Excerpts from PLANSPONSOR, August 2003, iPay Raise!

*For more information on retirement planning, contact Arthur P. Colamarino, Vice President, Alpern Rosenthal Financial Services LLC, at 412.281.3416 or at [acolamarino@alpern.com](mailto:acolamarino@alpern.com).*



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