

Investing Early: A Key to a Comfortable Retirement

When it comes to investing for your retirement, there's no such thing as starting too early.

If your retirement is decades away, starting a retirement savings plan may not be on the top of your “to do” list. But starting to invest sooner rather than later can greatly increase the impact of your retirement savings. That’s because the earlier you begin to invest, the more time you have to benefit from compounding, or “interest on interest.”



To illustrate the value of putting time on your side, consider the following example of two investors, Sarah and Joe:

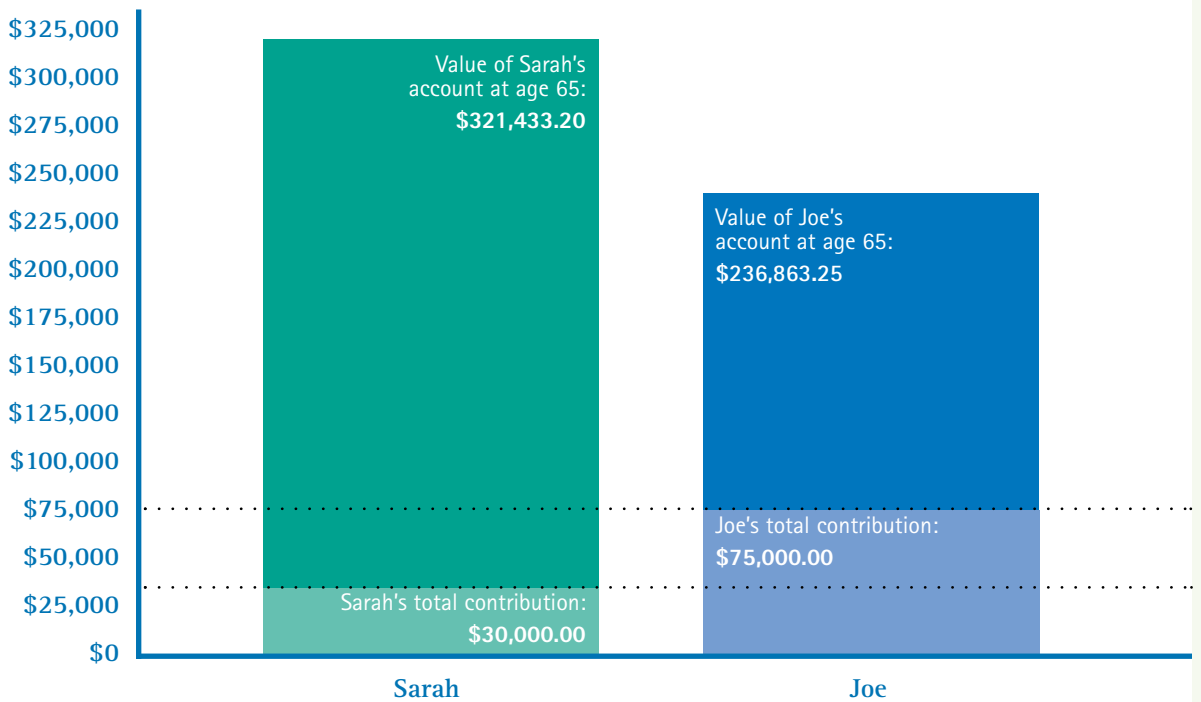
- Beginning at age 30, Sarah begins putting \$3,000 each year into a Traditional or Roth IRA. After investing \$30,000 over ten years, Sarah stops making additional investments and simply allows her money to grow another 25 years until she retires at age 65.
- Joe, on the other hand, does not begin investing until age 40. However, he invests a total of \$75,000 – \$3,000 a year for 25 years until he reaches 65.

Both Sarah and Joe earn a hypothetical total return of 8% each year in this example.

Their results at age 65 may come as a surprise: **While Joe invested \$45,000 more than Sarah, Sarah ends up with \$84,580 more than Joe – \$321,443 versus \$236,863.**

The lesson – **When it comes to investing for retirement, it makes sense to start as early as possible.**

Putting the Power of Compounding to Work Early Makes a Difference



■ **Sarah** invests \$3,000/year for 10 years beginning at age 30

■ **Joe** invests \$3,000/year for 25 years, beginning at age 40

Both Sarah and Joe earn total returns of 8% compounded annually for the full period they are invested. (This rate of return is a hypothetical rate provided for illustrative purposes only, and may not represent returns available on actual investments now or in the future.)

Ask us today how a Money Management Check-Up can help you get on track toward a comfortable retirement.

Securities and other investments offered through Quick & Reilly are:

- Not FDIC Insured • Not Bank Guaranteed • May Lose Value

This hypothetical chart is an example only, does not reflect any specific investment and is not a guarantee of future return. Fees and charges, if applicable, are not reflected in this example and would reduce the results shown. Income taxes may be payable upon withdrawal.

Actual returns will vary over time, particularly for long-term investments. Investments that offer the potential for high rates of return also involve a higher degree of risk.

Neither Fleet Bank nor Quick & Reilly offer tax advice. You should consult your tax advisor concerning your individual circumstances.

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Making the Most of Tax Advantaged Investing

Investing in an IRA is one of the solutions that can help you achieve your retirement goals.

One of the smartest things you can do is to make the most of tax-advantaged vehicles in investing for retirement. You can do this by contributing the full amount you are allowed to your retirement savings plan (i.e. 401(k)) if one is offered, and by contributing on your own to an Individual Retirement Account (IRA) each year. Unlike with a taxable account – where you pay taxes on earnings each year – earnings in an IRA compound tax-deferred (tax free in a Roth IRA) until you withdraw them in retirement.



Consider the example of Tony and Maria:

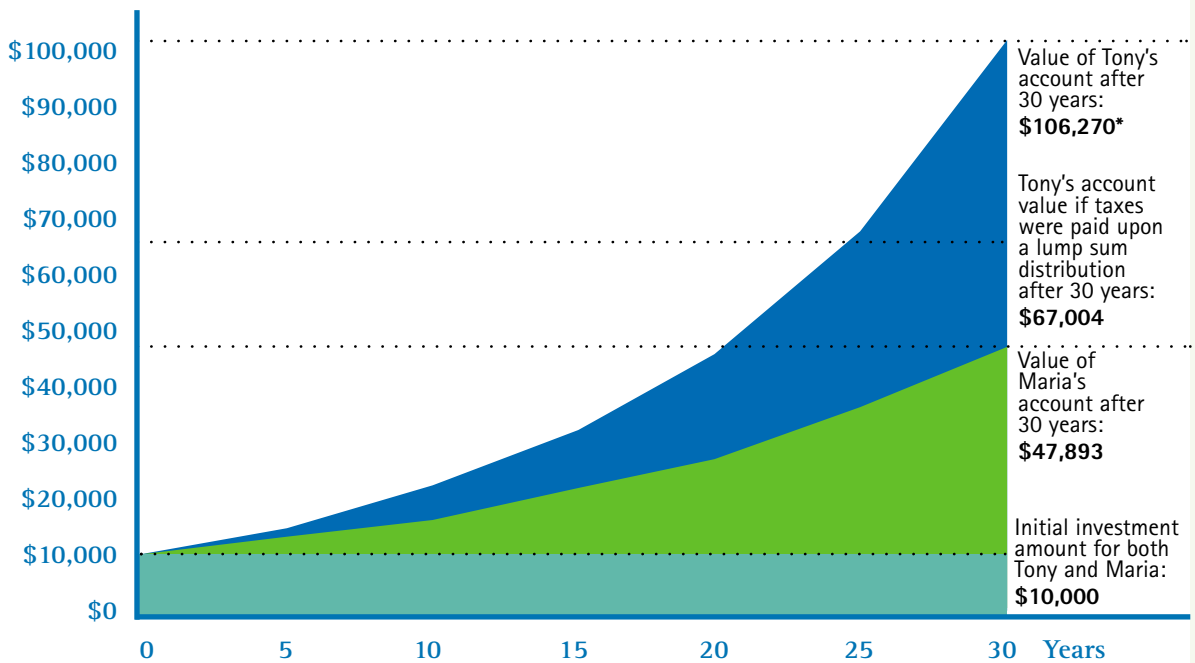
- By making contributions over the course of a few years, Tony has accumulated \$10,000 in an IRA. He leaves his money in the IRA for 30 years and allows it to grow tax-deferred for retirement.
- Maria also has \$10,000 invested. However, she wants to be able to access her money more freely “in case she needs it” before retirement, so she keeps it in a fully taxable account for the same 30 years. Her earnings are taxed each year at a combined federal and state rate of 33%.

In this example, both Tony and Maria earn a compound average hypothetical annual return of 8% for the full period.

But their results are very different: After 30 years, Tony’s IRA is worth over \$100,000 (\$106,270) while Maria’s account is worth \$47,893 – or less than half of Tony’s.

The lesson – The advantage of tax-deferred compounding can really add up over time.

Investing Without Taxes Can Make a Big Difference Over Time



■ **Tony:** 8% compounded annually for 30 years tax-deferred

■ **Maria:** 8% compounded annually for 30 years taxable at 33%

Both investors begin with an initial investment of \$10,000

* Note: Withdrawals of earnings and any pre-tax contributions from a Traditional IRA are taxed as ordinary income. These withdrawals may be subject to a 10% penalty. Qualifying withdrawals from a Roth IRA are tax-free. Non-qualified withdrawals from a Roth IRA may be subject to a 10% penalty.

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Build a Portfolio That Can Help You Achieve Your Goals

Use a diversified approach that reflects where you are in life.



Your retirement portfolio should reflect your individual circumstances – factors such as your age, risk tolerance, any pension or other source of income you will be able to count on, and any plans for working in retirement.

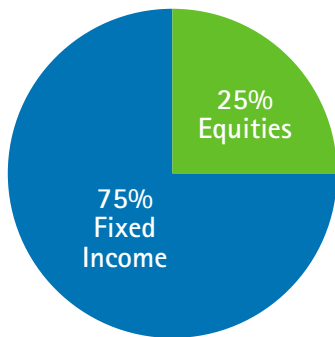
In building a retirement portfolio, there are two broad asset classes in which you can invest.

- Fixed Income – bonds and bond mutual funds, plus cash equivalents such as CDs and money market funds
- Equities – stocks and stock mutual funds

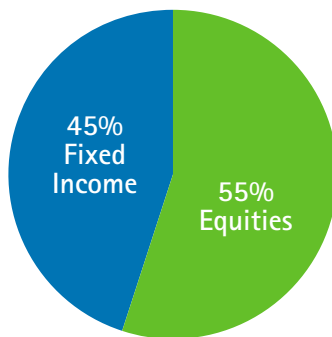
While it may make sense for some people to invest only in one category, most investors will want to take a more diversified approach. Diversification across a range of both equity and fixed income vehicles can provide more stable investment returns and reduce risk. Fixed income investments can help provide a measure of predictability to portfolio returns, while equity holdings offer growth potential. For an additional measure of diversification, within the equity universe, consideration should be given to holding investments that reflect a variety of “styles,” such as large company, small company, growth, value, and international.

The pie charts on the reverse page illustrate what a diversified portfolio might look like for investors with varying tolerances for risk. As they indicate, an investor with a more aggressive profile may wish to allocate more assets to higher risk investments with greater growth potential such as stocks. However, your strategy should also take into account your personal tolerance for risk and total financial picture.

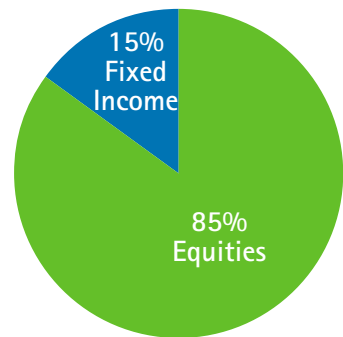
Model Retirement Portfolios For Varying Risk Profiles



Conservative



Moderate



Aggressive

- Your own portfolio should reflect your age, risk tolerance, and overall financial picture.
- Review your portfolio at least once a year to make sure it reflects any changes in the markets or your financial situation.
- Consider a mix of styles for the stock portion of your portfolio, including Large Company, Small Company, Growth, and Value holdings.

The prices of small company stocks are generally more volatile than those of larger, more established companies.

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The portfolios illustrated are for informational purposes only. Your actual asset allocation may differ depending upon your individual risk tolerance and time horizon.

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