

Both Employees Make \$1,200 Gross Pay Biweekly

Employee A Defers 0% Employee B Defers 10% Pre-tax

401(k) Savings	\$0.00	\$120.00
Taxes Paid	\$174.32	\$151.50
Net Pay*	\$933.88	\$836.70

^{*}This example assumes \$91.80 was deducted from each Employee's paycheck for Social Security and Medicare, income taxes for a Single individual, and a state income tax rate of 4.5%.

Difference Between the Two Employees in Savings in a Year

Employee A Defers 0%

Employee B Defers 10% Pre-tax

401(k) Savings	\$0.00	\$3,307.20 (estimated 6% gain in 12 months)
Taxes Paid	\$4,532.32	\$3,939.00
Net Pay	\$24,280.88	\$21,754.20



In 12 months, **Employee A**:

- Saved **\$0.00** for retirement
- Deferred **\$0.00** in taxes
- Received \$24,280.88 in take-home pay

TOTAL: \$24,280.88



In 12 months, Employee B:

- · Saved \$3.307.20 for retirement
- Deferred \$593.32 in taxes
- Received \$21,754.20 in take-home pay

TOTAL: \$25,061.40

TAKEAWAYS

- 1 Employee B will have \$780.52 more by adding to her 401(k) pre-tax every paycheck.
- \$1.00 contributed pre-tax does not equal a whole \$1.00 lost in take-home pay, but it does equal a whole \$1.00 invested towards your retirement.
- 3 Saving any amount of money into 401(k) is beneficial.



These results are intended for illustrative purposes only. The results are not and should not be considered to be a comprehensive financial plan, investment advice, tax advice. PAi recommends speaking with a licensed professional to assist you with an individualized retirement plan.





