



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.
- 2 \$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.**

