Strike Out That Debt

Money that goes to pay off debt isn't going to help build up your retirement savings. Here are a few tips to help you get out—and stay out—of debt:

- Pay off credit cards with the highest interest rates first.
- Shop for a card with the lowest rate—and try to use that card.
- Give yourself 72 hours to think about any purchase over $100 so you don't make impulsive decisions.
- Get help from a local affiliate of the National Foundation for Credit Counseling (800-388-2227 or **www.nfcc.org**) if you can't manage debt on your own. ■

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SPRING 2013

GREAT-WEST℠
FINANCIAL

FINANCIAL FOOTNOTES

The Rewards of Contributing

Studies continue to show that Americans aren't saving enough for retirement. That's unfortunate, because a workplace retirement plan offers some significant benefits:

Tax-deferred growth. Contributions to most workplace retirement plans are pre-tax—meaning taxes aren't due on that money until you withdraw it in retirement. This means you can save more now, potentially allowing your money to grow faster.

Enhanced saving. In 2013, you can contribute up to $17,500 to your workplace retirement plan if you are under age 50. If you're age 50 or older, you may be able to contribute an extra $5,500 a year.[1]

An employer match. Your employer may match a portion of your contributions, in effect giving you free money toward retirement. For example, it might match 50% of your contributions up to 6% of your salary.

Rebalancing.[2] Volatile markets can cause your investment mix to shift. Some plans offer automatic rebalancing features that bring your mix of stocks and bonds back in line with your target allocations. You can also do this yourself with the help of a Great-West Retirement Services® representative.[3] ■

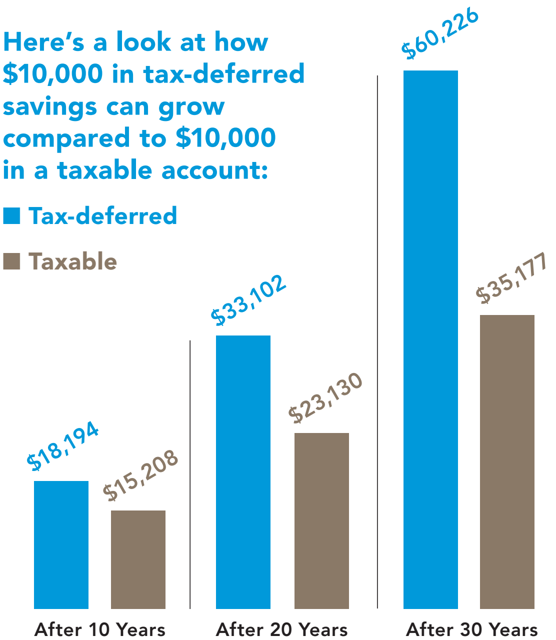
[1] irs.gov, January 1, 2013.
[2] Rebalancing does not ensure a profit and does not protect against loss in declining markets.
[3] Representatives of GWFS Equities, Inc. are not registered investment advisors, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.

The Tax-Deferred Advantage

Your workplace retirement plan lets you delay paying taxes on your earnings.

Saving in your tax-deferred workplace retirement plan may help you amass a larger nest egg than if you saved in taxable accounts. That's because you pay taxes on all earnings in taxable accounts for the year the earnings are realized, lessening the value of your savings. Earnings in tax-deferred accounts, on the other hand, are not taxed immediately and can grow until you withdraw funds in retirement. Especially over many years, the tax-deferred savings can compound, as the dollars saved by not paying taxes immediately can generate their own earnings—providing an even larger advantage over taxable savings. ■

Here's a look at how $10,000 in tax-deferred savings can grow compared to $10,000 in a taxable account:



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any particular investment option. It assumes a 6% annual rate of return, a 30% combined federal and state income tax bracket, and reinvestment of earnings, with no withdrawals. Rates of return may vary. Distributions from a tax-deferred retirement plan are taxable as ordinary income. This example assumes that the taxable account does not hold any investment for more than 12 months. Taxable investments held longer than 12 months may qualify for lower capital gains and/or qualified dividend tax rates, which may make the return on the taxable investments more favorable, thereby reducing the difference in performance between the accounts shown. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan or taxable account. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

Take Advantage of Compounding

Here's why the sooner you start saving, the better.

Compounding is the concept of generating earnings on an investment's reinvested earnings, creating a snowball effect that can be astounding over time. Essentially, it means the longer you invest, the more time your earnings have to generate their own earnings.

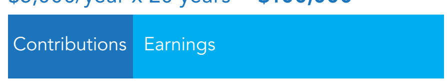
Say you invest $10,000 and earn 6% a year, or $600. In Year Two, you'd earn 6% on $10,600; in Year Three, you'd earn 6% on $11,236. So, in theory, time works to your advantage.

Compounding Value

Let's compare two hypothetical investors, Sarah and Steve. They're the same age and both plan to retire in 30 years. Their retirement accounts produce a 6% average annual return. Sarah contributes $5,000 a year for 20 years and then stops. Steve opens his account 10 years after Sarah opens hers and contributes $8,000 a year for 20 years and then stops.

Despite Steve's bigger contribution, Sarah's earlier start gives her the compounding advantage.* ■

SARAH
Contributed early in her career
Total contributions:
$5,000/year x 20 years = **$100,000**



$350,268

STEVE
Waited 10 years to start contributing
Total contributions:
$8,000/year x 20 years = $160,000

$308,029

*Calculations made using the Compound Interest Calculator on Investor.gov.