RETIREMENT SAVINGS

Power of compound interest

Finding money to save for retirement when faced with other future expenses—such as buying a car or a house, or paying for a child's college education—can be difficult. Keep in mind that the longer you wait to save, the harder it will be to accomplish your goal. There's no time like the present to start—or continue—to put money aside on a regular basis.

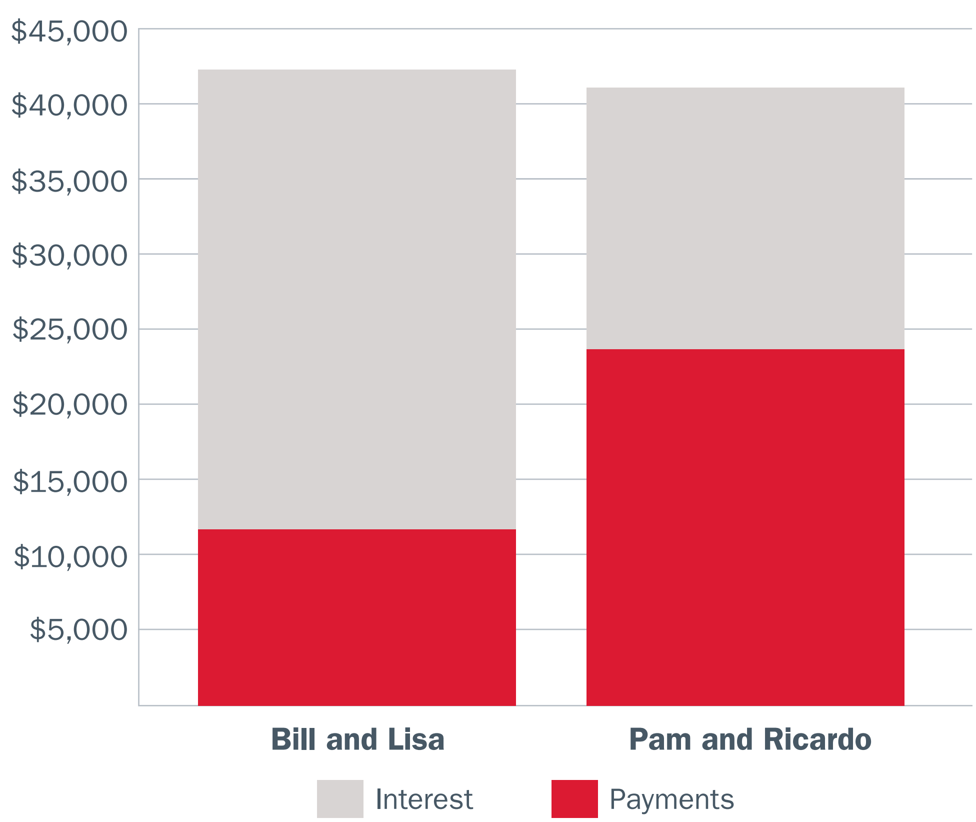
This hypothetical example* illustrates the power of saving early and regularly.

Bill and Lisa started saving $100/month for 10 years, and then stopped, opting to just earn interest for the next 20 years.

Pam and Ricardo waited 10 years before starting to save. They put $100 a month in savings for the next 20 years while earning interest.

After 30 years, Bill and Lisa had deposited just $12,000 in savings while Ricardo and Pam deposited $24,000. End result, Bill and Lisa earned more interest compared to the amount they deposited in their account—that is the power of compounding and starting early.

Power of Compound Interest
(over 30 years)



*Hypothetical example with 5% interest compounded monthly.

Individual Retirement Accounts (IRAs)

For employer-sponsored plans, like 401(k) or 403(b) plans, contribute at least enough to receive the employer match, if offered. It is like leaving money on the table if you don't. Other accounts to consider are traditional and Roth individual retirement accounts (IRAs), which are described below.

Which IRA is right for you?

While both IRAs offer unique benefits that will help you save for retirement, there are differences that you will want to carefully consider. Use the following table to compare them, and then work with your financial professional to help you decide which one is right for you. There are penalty exceptions. One being qualified higher education expenses for you, your spouse or children.

Consider a traditional IRA if you:	Consider a Roth IRA if you:
• Currently have earned income. • Think you will be in a lower tax bracket in retirement. • Would benefit from a potential immediate federal income tax deduction.[1] • Do not think you will need to take money out of the account until retirement. • You or your spouse are not currently covered by an employer-sponsored plan. • Will need to start withdrawing your savings between ages 59½ and 72.	• Currently have earned income. • Have a modified adjusted gross income (MAGI) for 2020 that is:[2] – Less than $124,000 (single filer). – Less than $196,000 (joint filer). • Think you will be in a higher tax bracket in retirement. • Would benefit from federal tax-free qualified distributions in the future. • Want the flexibility to take out money you've contributed before age 59½ without penalties.[3] • Want the option to let your money grow as long as you choose without being required to start withdrawing it at a certain age.[4]

[1]In 2020, if you are an active participant in an employer-sponsored retirement plan, your contribution deduction is reduced if MAGI is between $65,000 and $75,000 on a single return and $104,000 and $124,000 on a joint return. If you're married filing jointly and an active participant in an employer-sponsored retirement plan and your spouse is not, the deduction for your spouse's contribution is phased out if MAGI is between $196,000 and $206,000. If you're a married taxpayer who files separately, consult your tax advisor.

[2]Contribution reduced if MAGI is between $124,000 and $139,000 on a single return and $196,000 and $206,000 on a joint return. If you are a married taxpayer who files separately, consult your tax advisor.

[3]If Roth IRA distribution order is after-tax contributions are withdrawn first, no penalty applies.

[4]Distributions of earnings are tax-free as long as your Roth IRA is at least five years old and one of the following requirements is met: (1) you are at least age 59½; (2) you are disabled; (3) you are purchasing your first home ($10,000 lifetime maximum); or (4) the money is being paid to a beneficiary.

THRIVENT®

Thrivent.com • 800-847-4836