

# How a 401(k) Plan Reduces Taxes

To illustrate how a 401(k) plan can work for you, look at the results with and without a plan:  
 (Assume an individual - age 35 in a 25% tax bracket and \$1,200.00 savings contribution per year).

	<u><b>Without a 401(k) Plan</b></u>	<u><b>With a 401(k) Plan</b></u>
<b>Before Tax Earnings</b> <i>(Retirement Savings)</i>	\$ 1,200.00	\$ 1,200.00
<b>Income Tax</b> <i>(Amount Withheld)</i>	\$ <u>300.00</u>	\$ <u>0.00</u>
<b>Net Amount for Retirement Savings</b> <i>(Total)</i>	900.00	1,200.00
<b>Assumed Investments Return</b>	8.00%	8.00%
<b>Net Rate of Return</b> <i>(After-Tax)</i>	6.00%	8.00%
<b>Net Earnings per Year</b>	\$ <u>54.00</u>	\$ <u>96.00</u>
<b>Account Value at Age 65</b>	\$ <u><b>71,152.00</b></u>	\$ <u><b>135,939.00</b></u>

*Example assumes an 8% hypothetical growth rate compounded annually. Rates of return are hypothetical, are provided for illustrative purposes only, and do not reflect the performance of an actual investment. There can be no guarantee of return.*