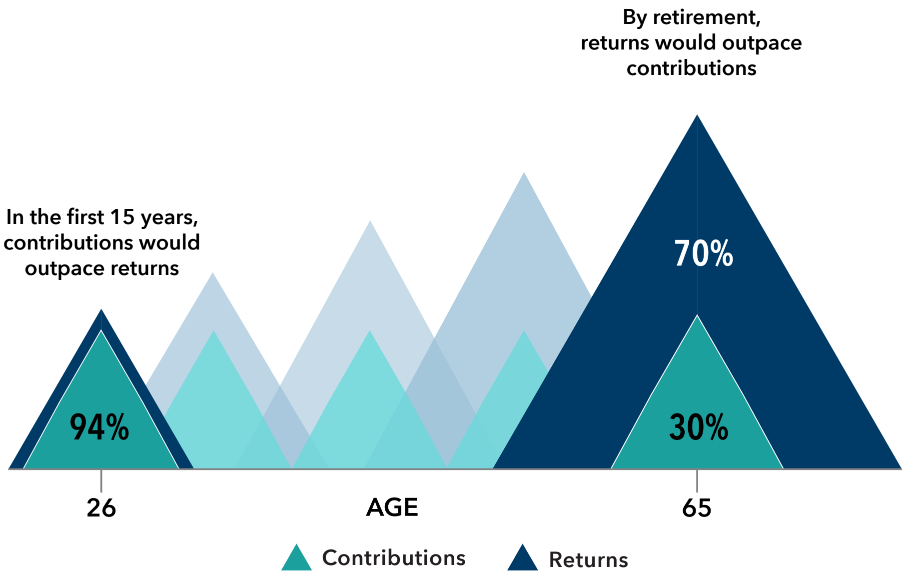
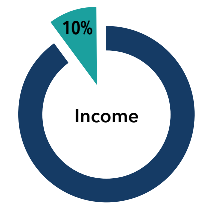
Returns matter more than you think

Contributions need to work as hard as participants do. After 40 years of saving, 70% of a participant's retirement account value could come from returns, not contributions.



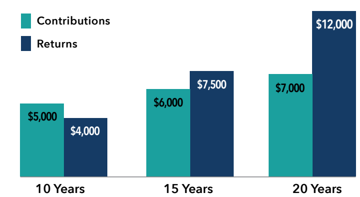
The starting point

This hypothetical assumes you start investing 10% of your $40,000 income at age 26. And that you continue to contribute 10% each year throughout your career, as your salary increases 3% per year.



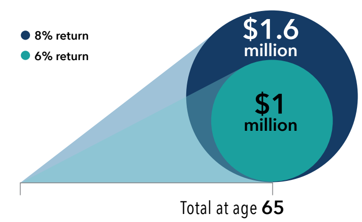
The turning point

Fifteen years down the road, assuming a 6% return, you'd earn $7,500 in annual returns. But you'd contribute about $6,000 that year, which means your returns already would outpace your contributions.



The retirement point

Returns would comprise 70% of your account by the time you retire. But if you earn a higher return – say, 8% per year – your returns would make up 81% of your account. And you'd earn $602,479 more, double your overall contribution.



That's why investment selection matters

Put choice of fund manager top of mind

The quality of the investments starts with who is managing them. Active managers who have a history of beating the market indices may give participants' accounts the biggest boost.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

The demographic assumptions, returns and ending balances are hypothetical and provided for illustrative purposes only, and are not intended to provide any assurance or promise of actual returns and outcomes. Returns will be affected by fees, the management of the investments and any adjustments to the assumed contribution rates, salary or other participant demographic information. Actual results may be higher or lower than those shown. Based on an exhibit by CBS Moneywatch.

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