How Can I Accumulate Retirement Assets?

First you need to sit down with a Financial Planner and select an investment strategy that suits your retirement goals and objectives. Not all types of investments work well for all people.

Realize there are many different retirement vehicles to choose from including your employer sponsored 401(k) or a Roth IRA. With a Roth IRA you are limited to contributing a maximum of $2,000 annually and while it is not deductible the accumulated growth is tax-free.

However, 401(k) plans permit you to contribute up to 100% of your income to $12,000 for 2003 and $13,000 for 2004 on a pre-tax basis. Pre-tax offers a huge advantage over other retirement plans. Income tax is deferred until you use the money for retirement. Additionally, many employers contribute a matching contribution for every dollar you contribute up to a cap.

If you could invest $10,000 annually for 30 years in your 401(k), it would be worth 1.2 million (assuming an 8% return) at retirement.* A 30-year investment of $2,000 annually in a Roth IRA (at 8%) would amount to $244,692.* But, watch those income restrictions in the Roth IRA. Singles who earn $95,000 to $110,000 and couples who earn a combined income of $150,000 to $160,000 may make only partial contributions to a Roth IRA. Beyond that contributions to Roth IRA's are not permitted. While distributions from the Roth IRA are tax-free, if you expect to be in a lower tax bracket when you retire, that may not be much of advantage.

In the end, both the Roth IRA and your retirement plan are excellent ways to save for retirement. Just realize that one retirement vehicle may be better suited for your needs than the other.

** Returns shown are for illustrative purposes only. The sample return for the retirement plan does not factor in taxes. At a tax rate of 39.6%, a lump sum distribution from the retirement plan would be worth $738,969.*

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