

The 10% savings goal



Saving more for retirement may not top your to-do list these days. Problem is, most people need to save more—often a lot more—to build a nest egg that can meet their needs. Here's a relatively painless way to help reach your goal.

Take small steps

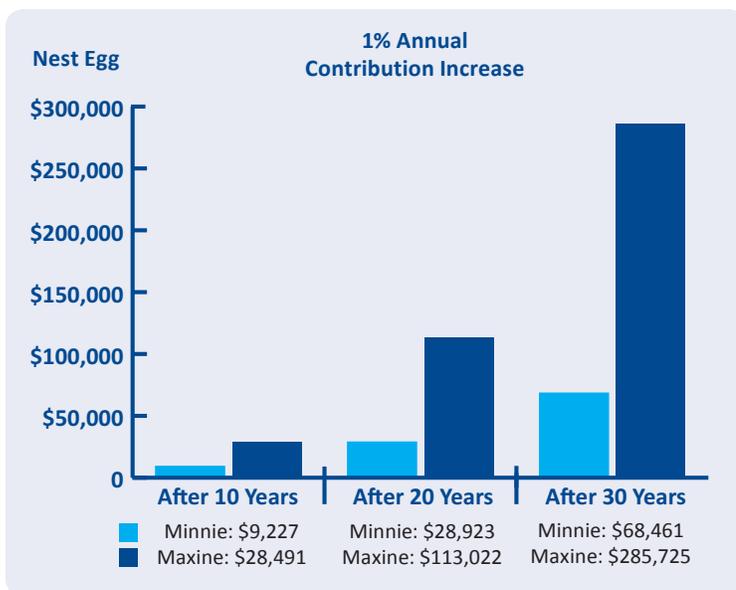
Many financial experts recommend that you put away 10% to 15% of your pay for retirement. Begin by contributing enough to receive your employer's matching contribution, then consider gradually raising your contribution amount to 10% or higher. Getting your savings rate to where it needs to be can seem like a giant, expensive leap from where you stand. So, consider

raising your plan contributions once a year by an amount that's easy to handle, on a date that's easy to remember—say, 2% on your birthday. Thanks to the power of compounding (the earnings on your earnings), even small, regular increases in your plan contributions can make a big difference over time.

A little more can mean a lot

How big? Let's look at Minnie and Maxine. These hypothetical twin sisters do almost everything together. Both work for the same company, earn the same salary (\$30,000 a year), and start participating in the same retirement plan at age 35. In fact, just about the only difference is their savings approach:

Minnie contributes 2% of her pay each year. Her salary rises 3% a year (and her contributions along with it), and her investments earn 6% a year on average. So, after 30 years of diligent saving, Minnie reaches retirement with a nest egg worth **\$68,461**.





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For her part, Maxine gets the same pay raises, saves just as diligently, and has the same investments as her sister—except for one thing: She starts contributing 2%, but raises her rate by 1% each year on her birthday until she reaches 10%. Then she keeps saving that 10% for the next 22 years, until she retires by Minnie's side.

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The sisters celebrate at their favorite lunch spot, where Maxine tells Minnie that she never really noticed the difference in take-home pay when her savings rate was rising. Instead, all she saw was the result: **\$285,725** in her retirement fund by age 65. Not surprisingly, Maxine picks up the tab for the restaurant. Minnie handles the tip.

Think ahead. Take action now.

- ✓ **Aim for a 10% savings rate.** Begin by contributing enough to receive your employer's matching contribution.
- ✓ **Get on the escalator!** Commit to modest but regular increases in your contribution rate.

This example is hypothetical and does not represent the performance of any fund. Regular investing does not guarantee a profit or protect against a loss in a declining market. Past performance does not guarantee future results. Initial tax savings on contributions and earnings are deferred until distribution. You should evaluate your ability to continue saving in the event of a prolonged market decline, unexpected expenses, or an unforeseeable emergency.

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