granted

START INVESTING EARLY IN YOUR CAREER

You're young, you just landed a new job and you're going to be getting a decent paycheck. You also have bills to pay and there are also a few items that you've always wanted so now you can finally afford them. Investing for your retirement may be the last thing on your mind at the start of a new career. Take some advice from those with a little more experience: Start investing early in your career. Start from day one and you will never miss that money you're setting aside. If your company has available a 401-K or a TSP program, jump on the band wagon immediately. If you don't have these programs at your disposal, you can still start an IRA and the concepts stated here are applicable as well. It really does it make a difference when you start contributing. It is important to invest in your retirement account early in your career for two reasons. First, if you're fortunate to receive matching contributions, you don't want to miss out on those added contributions that are a significant part of your retirement benefit. Second, the longer contributions stay in your account, the more you stand to gain. Your money makes money in the form of earnings, and those earnings in turn make money, and so on. This is what is known as the "miracle of compounding." As money grows in your account over time, the proportion resulting from earnings will become larger compared to the proportion resulting from contributions. The size of your account balance is going to depend on how much you (and your company if they match funds up to a certain percentage) contribute to your account and how your account grows as a result of earnings on your investments. To get an idea of what your retirement account could be in the future, look at the following projections. Assume that you are an employee eligible for organizational contributions, that you are earning $28,000 each year, and that you receive no future salary increases. You choose to save 5 percent of basic pay each pay period; therefore you receive total organizational contributions of 5 percent. The growth projections below are for an assumed annual rate of return of 7 percent on your investments. After five years your account balance would be almost $17,000; after ten years your balance would increase to $40,000; and after contributing for twenty years, your account would have a balance of $122,000. Clearly your balance would continue to increase each year. If you contributed for forty years, which is fathomable if you start a job at 23 and want to retire at age 63, your account balance would be $615,000. That's over half a million dollars folks! Just from contributing 5% of your income from the day you start work! Looking at the numbers, it's hard to imagine why someone wouldn't start investing immediately!