

Employee Education Guide

■ What is a 401(k)?

Congratulations! Your company decided to offer a 401(k) as an employee benefit because they care about your future. A 401(k) is a tax-advantaged account that allows you to invest some of your paycheck to save for retirement. Investing in a 401(k) can allow you to defer taxes and reduce your taxable income now. It can also help you put away money that can potentially grow tax-free until you take a withdrawal, either before, or during retirement.

With a 401(k) you can:

- Save automatically — contributions get deducted directly from your paycheck
- Control how much you want to contribute every month
- Avoid paying taxes on any pre-tax contributions you make until you take a withdrawal, usually during retirement

■ It's never too early (or too late) to start saving

People are living longer and leading more active lives in retirement — **start saving now** to live the life you want. Social Security is not enough to keep up with the growing cost of living. It's up to you to take responsibility for funding your future.

■ Take advantage of tax benefits

401(k) account contributions provide a double tax advantage for taxpayers. Individuals are able to direct pre-tax funds from their paycheck into their 401(k), reducing the amount of their income subject to income tax for the year. In addition, any earnings from 401(k) account contributions are also tax-deferred until withdrawal.

You also may be able to contribute to a Roth 401(k) account, in which contributions are made post-tax. Your Roth contributions are always distributed tax-free, and if you meet certain criteria, earnings on your Roth contributions will also be tax-free when withdrawn.

How much do you think you need for retirement?

- A common theory is that a retiree may need to replace **80%** of their pre-retirement income to maintain their lifestyle in retirement
- Typically, Social Security will only cover approximately **40%**¹
- The remaining 40% will need to come from savings such as a 401(k)

■ Employer match

Employer match, if available, is free money that increases your account balance and can grow along with your contributions. One of the biggest missed opportunities for eligible participants in a 401(k) plan is not taking advantage of the employer matching contributions (if you have them). Even if your budget is extremely tight, it's important to take advantage and contribute enough money to receive the maximum matching contribution. For example, if your employer matches 50% of your contributions up to 6% of your compensation, any deferral election less than 6% is not taking advantage of the maximum benefit provided by your employer.



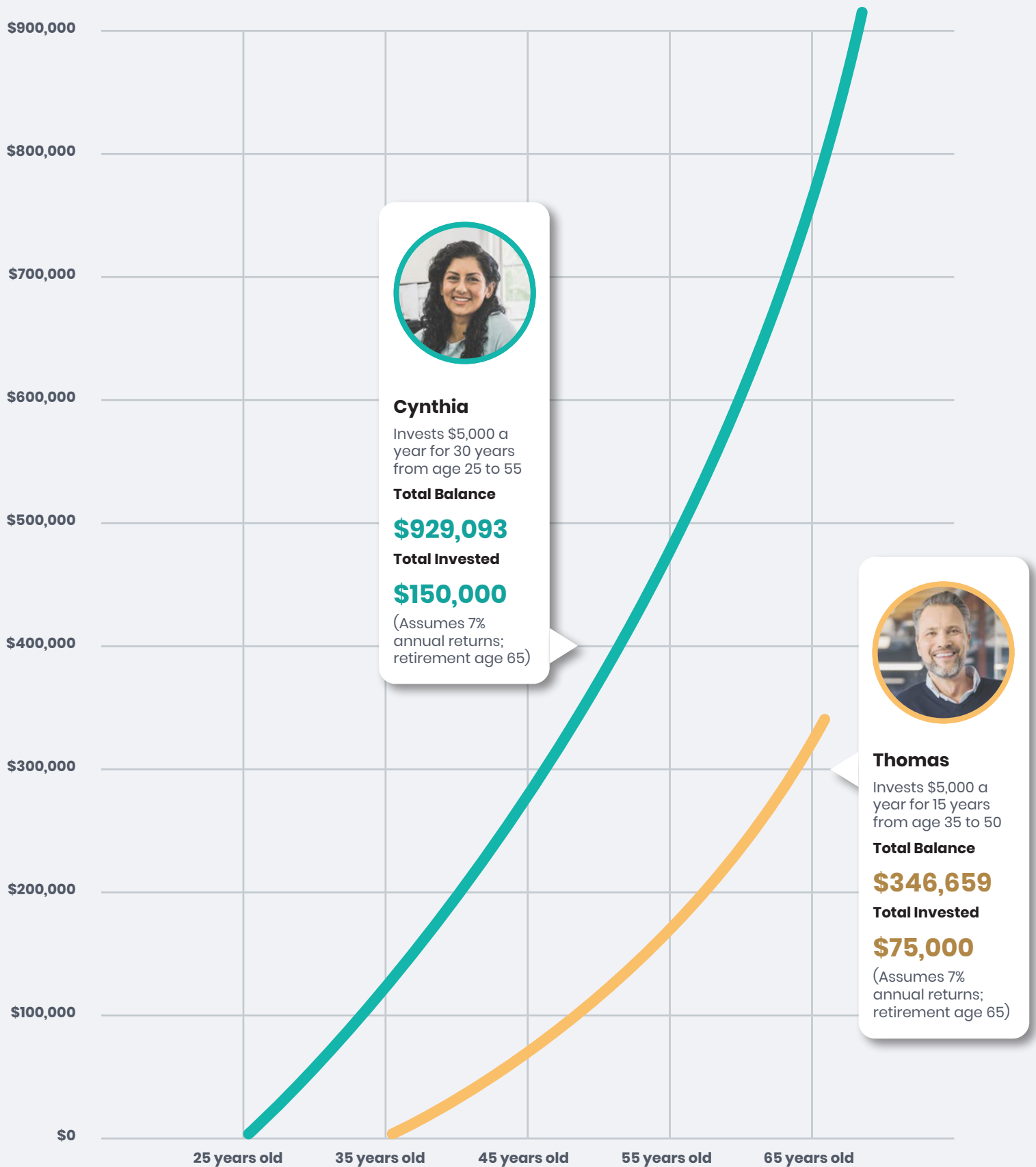
■ The power of saving early

The earlier you start contributing to your 401(k) the more opportunity for your account to grow because any returns in your account will be reinvested and could generate returns of their own.² This is called **compound interest**. Compounded earnings can end up being more significant than your original contributions over a period of several years. The sooner you begin saving for retirement, the more you can take advantage of the power of compounding to grow your investments.

■ An early-saver vs. late-saver comparison

Let's take a look at an example of compound interest in action to see how investing for a longer amount of time and earlier can potentially compound into a bigger nest egg for retirement.

Cynthia and Thomas are the same age and will retire in 2050. Cynthia started saving at age 25 and continued every year for 30 years. She invested a total of \$150,000 over 30 years. Thomas invested \$75,000 over a period of 15 years. While Cynthia invested only twice as much in her 401(k) plan, her balance at 65 years old is nearly 3 times what Thomas has. The additional time in the market that Cynthia's money had is one reason that her retirement savings are higher.



Source: Human Interest calculations. Assumes compounding occurs annually until age 65. Hypothetical illustration for informational purposes only. Ending values do not reflect the effects of taxes, asset fees, or investment expenses; if they did, results will be lower. Earnings and pre-tax contributions are subject to taxes when withdrawn. Distributions before the age of 59 ½ may also be subject to a 10% IRS penalty. Does not reflect the performance of any Human Interest account or any actual investment. There is no guarantee that the assumed rate of return will be achieved or that any systematic investing plan will be successful. Actual results will vary. Investing is subject to risk, including the risk of loss.

Questions? Contact us at 855 622 7824.

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■ Getting started is easy

Getting started with investing may seem intimidating, but it doesn't have to be. Human Interest offers investment model portfolios.³ Our online dashboard takes you through a series of simple, straightforward questions and helps you select a portfolio based on your age and risk tolerance. This helps you save for the future and maximize your benefits. If you prefer, you can also select your own investments.

Retirement might sound like a long way away, but saving and investing now can help give you peace of mind about your future. With your 401(k) from Human Interest, you're taking a first step toward living the life you want in retirement.

We're here to help

- Email and phone support with specialists who can answer your questions about anything 401(k)-related
- Built-in investment education (provided through the Learning Center) and an easy-to-use website for viewing your portfolio
- Incoming rollovers, if permitted, and outgoing qualified distributions at no extra fee — that you can initiate online
- Easily change your contribution amount at any time

Ready to get started? Look for an email with a link to enroll in your 401(k)!

¹ AARP. (2022, June). How much social security will I get? Retrieved November 10, 2022, from aarp.org/retirement/social-security/questions-answers/income-replacement-rate.html.

² Investing is subject to risk, including the risk of loss.

³ Offered through Human Interest Advisors, a subsidiary of Human Interest

Human Interest is an affordable, full-service 401(k) and 403(b) provider that seeks to make it easy for small and medium-sized businesses to assist their employees invest for retirement. Investment Advisory services provided through Human Interest Advisors, a Registered Investment Adviser. For more information, please visit humaninterest.com.

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