



## How to save more than **\$1,500** a year – by giving up **Five Things You *Hate* to Spend Money On**

**W**e've all heard the "How to Contribute More to Your 401(k)" story that talks about how giving up a daily trip to Starbucks could mean an extra \$1,000 a year, or more, towards retirement. (\$4.25 a day, 5 days a week, 50 weeks a year... assuming you don't drink coffee on the weekends or during a company allotted two-week vacation.)

"The horror...the horror," cries the Starbucks coffee-lover. "Must we always give up something we love for the benefit of our retirement?"

**This issue of *Contributions* is for you and everyone else who doesn't want to give up a favorite frivolous luxury (soft drinks, ice cream, wine, chocolate, insert your favorite here) just to save for retirement.**

Here are five things most people don't like to spend money on, and the potential impact eliminating these expenses could have on your year-end 401(k) statement.

### Expenses You *Love* to Hate

Total Savings

#### 1. ATM FEES

"What do you mean I have to pay \$2 to access my own money..." If you pull out cash from a foreign ATM twice a week, that adds up to \$208 a year. Use only the ATMs that don't charge to withdraw cash.

**\$208**

#### 2. UNUSED GYM MEMBERSHIPS

"Dear Diary – January 1, 2008 – I'm going to get into shape this year and today I joined a gym..." If dust is gathering on your gym membership card, consider either using it or canceling it. At \$50 a month, that's \$600 a year.

**\$600**

#### 3. UNREAD MAGAZINE SUBSCRIPTIONS

"I'd read it if only I had more time..." Consider which magazines you really enjoy, and think about discontinuing those you don't take the time to read. Discontinuing five subscriptions at \$19.95-a-year each could mean an extra \$100.

**\$100**

#### 4. STAMPS

"Didn't they just raise the price of postage? What do you mean it went up again..." It's a little thing, but if you send 15 bills a month through the mail at 43 cents a piece, you've spent over \$77 a year. Many companies and banks allow you to pay bills online for free.

**\$77**

#### 5. FOOD YOU DON'T EAT

"This bag of salad isn't even open, but it doesn't look so good..." You might have gotten it on sale, but if you don't use it before it spoils, you may as well just put the cash in the trash. A mere \$10 a week in wilted lettuce, soggy peppers and overripe bananas adds up to \$520.

**\$520**

**\$1,505**

*So there it is – five ways to keep your gourmet coffee and still put more than \$1,500 in your retirement account. Best of all, it's painless. Turn the page to see how much that extra savings will mean to your nest egg by the time you retire.*

## Getting Rich Slowly – The Power of Compounding Interest

**Disciplined retirement savings is a proven path to accumulating wealth.**

The younger you are when you begin making regular contributions to your retirement plan, the more you'll benefit from the power of compounding interest. However, people of all ages will benefit from making regular, ongoing contributions.

In tough economic times, it's tempting to cut back on retirement savings or to withdraw money you've already saved. **Resist the temptation to do so – compounding only works if you allow your investments to grow.**

As the table below shows, saving an extra \$1,500 each year can add up to over \$402,000 in retirement.

Year	Yearly Investment	Total Investment	Account Balance
5	\$1,500	\$7,500	\$9,119
10	\$1,500	\$15,000	\$22,516
15	\$1,500	\$22,500	\$42,201
20	\$1,500	\$30,000	\$71,125
25	\$1,500	\$37,500	\$113,624
30	\$1,500	\$45,000	\$176,069
35	\$1,500	\$52,500	\$267,821
40	\$1,500	\$60,000	\$402,635

*\* For illustration purposes only. Assumes monthly contributions of \$125 deposited at the beginning of each month and an annual 8 percent rate of return. This illustration does not represent the actual performance of any specific investment. There's no guarantee that any particular return will be achieved, and past performance is no guarantee of future results. Amounts are rounded to the nearest dollar.*

## The Final Step – Increasing Your Retirement Savings Contribution

Cutting expenses is one thing. Putting that extra savings into your retirement account is another. **If you've done the work and reduced spending, don't forget the all-important step of increasing your contributions.** The cost of waiting is significant. Don't delay!

### Save More for Retirement *and* Maintain Your Standard of Living

Conventional wisdom suggests that the lower the stock market, the lower the share price, and the better time it is to invest. However, with gasoline at over \$4 a gallon and a gallon of milk costing almost as much, you may be struggling to find enough money to cover your daily living expenses and still save enough for retirement.

It doesn't have to be one or the other. A creative look at your current spending habits may help you find the money you need to maintain your standard of living AND build a healthy retirement nest egg.

### MUTUAL of OMAHA'S CONTRIBUTIONS

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