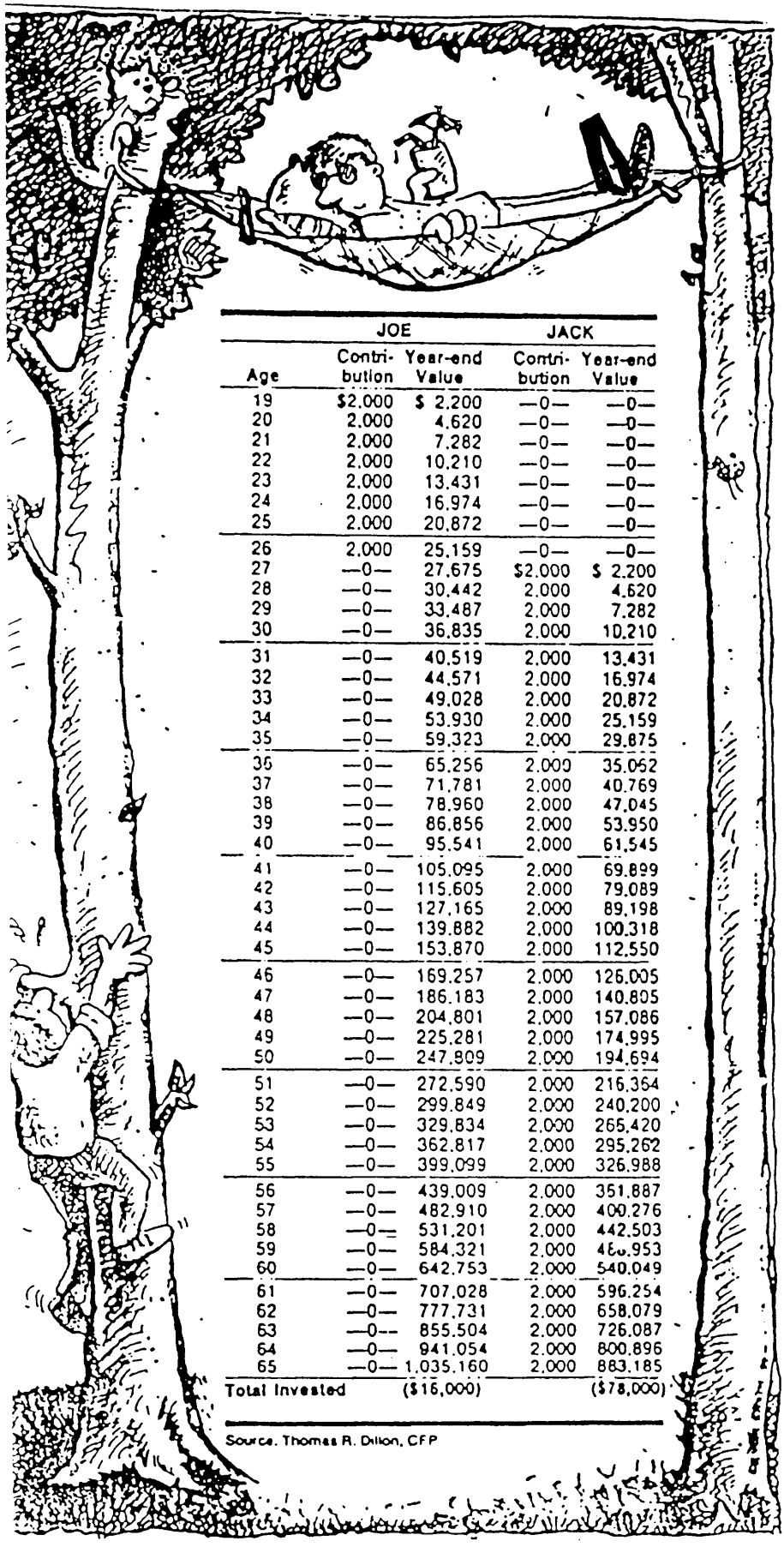
uper Savings



Age	JOE Contri-bution	JOE Year-end Value	JACK Contri-bution	JACK Year-end Value
19	$2,000	$ 2,200	—0—	—0—
20	2,000	4,620	—0—	—0—
21	2,000	7,282	—0—	—0—
22	2,000	10,210	—0—	—0—
23	2,000	13,431	—0—	—0—
24	2,000	16,974	—0—	—0—
25	2,000	20,872	—0—	—0—
26	2,000	25,159	—0—	—0—
27	—0—	27,675	$2,000	$ 2,200
28	—0—	30,442	2,000	4,620
29	—0—	33,487	2,000	7,282
30	—0—	36,835	2,000	10,210
31	—0—	40,519	2,000	13,431
32	—0—	44,571	2,000	16,974
33	—0—	49,028	2,000	20,872
34	—0—	53,930	2,000	25,159
35	—0—	59,323	2,000	29,875
36	—0—	65,256	2,000	35,052
37	—0—	71,781	2,000	40,769
38	—0—	78,960	2,000	47,045
39	—0—	86,856	2,000	53,950
40	—0—	95,541	2,000	61,545
41	—0—	105,095	2,000	69,899
42	—0—	115,605	2,000	79,089
43	—0—	127,165	2,000	89,198
44	—0—	139,882	2,000	100,318
45	—0—	153,870	2,000	112,550
46	—0—	169,257	2,000	126,005
47	—0—	186,183	2,000	140,805
48	—0—	204,801	2,000	157,086
49	—0—	225,281	2,000	174,995
50	—0—	247,809	2,000	194,694
51	—0—	272,590	2,000	216,364
52	—0—	299,849	2,000	240,200
53	—0—	329,834	2,000	265,420
54	—0—	362,817	2,000	295,262
55	—0—	399,099	2,000	326,988
56	—0—	439,009	2,000	351,887
57	—0—	482,910	2,000	400,276
58	—0—	531,201	2,000	442,503
59	—0—	584,321	2,000	488,953
60	—0—	642,753	2,000	540,049
61	—0—	707,028	2,000	596,254
62	—0—	777,731	2,000	658,079
63	—0—	855,504	2,000	726,087
64	—0—	941,054	2,000	800,896
65	—0—	1,035,160	2,000	883,185
Total Invested		($16,000)		($78,000)

Source: Thomas R. Dillon, CFP

Chuck Groth/Post-Dispatch

A Surprising Saga Of Two 19-Year-Olds

WHAT'S the key element in retirement planning? One answer: Sooner rather than later can make all the difference. Here's a surprising "case history" of two hypothetical savers who are the same age.

This example comes from Thomas R. Dillon, a certified financial planner with Bruno, Stolze & Co. Inc. on North New Ballas Road. It graphically shows the benefit of early savings, allowing the power of compounding to take full effect.

One man, Joe, at age 19, starts investing $2,000 each year at a total return of, let's say, 10 per cent a year compounded annually. After eight years, he stops saving and investing, and merely lets his $16,000 continue to grow, earning the 10 percent compounded a year until retirement.

Jack, on the other hand, waits eight years — at age 27 — to start his retirement savings program — the same year Joe stops. For the next 39 years, Jack then contributes $2,000 a year, compounded annually at the same 10 percent total return.

When the two are 65 years of age, who has more money for retirement? Is it Joe, who put in only $16,000, or Jack, who laboriously stashed away $78,000 of his earnings?

The chart above tells the story. Jack put aside almost five times as much money as Joe did, but ended up with about $152,000 *less* for his retirement years.

Joe's $16,000 made him a millionaire.

Dillon also points out that if Joe had continued his $2,000 annual contribution each year, his nest egg would have grown to $1,918,345 — an investment of $94,000 becoming almost $2 million. ■