



Tax Deferral

Putting off taxes can be a good thing

Nobody enjoys paying income taxes. Of course, putting off taxes is rarely a good strategy, as you could find yourself paying substantial fees in late penalties. But what if putting it off could actually save you money? By investing in your employer-sponsored retirement plan, you can do just that.

Why deferral is a benefit

As you read through the many benefits of your employer-sponsored retirement plan, one term you'll constantly see is "tax deferral." To "defer" taxes literally means to put off paying them. But, as you know, when you put off paying anything, it usually costs you later (think of your credit card bill). So how is deferring taxes a benefit? Won't this cost you more in the long run –

in penalties and fees – when you finally do pay your tax bill?

When you take advantage of tax deferral by investing in your employer-sponsored retirement plan, you not only put off paying income taxes on the money you contribute, you may also save money on the taxes you eventually will pay.

Save now, pay later

The money you contribute to an employer-sponsored retirement plan is taken directly off the top of your paycheck – before income tax and any other automatic weekly withdrawals. The portion deducted goes directly into your retirement savings plan, so you're left with a smaller dollar amount in your paycheck that can be taxed by the IRS.

As a result, you'll pay less in your current income taxes for the year, because in the eyes of the IRS, you've been paid less money. This can help soften the blow– or even

nullify the difference – to your overall take-home income. And remember, it's still your money.

Of course, the money that you put in your plan eventually will be taxed; but not until you withdraw it. Ideally, that won't happen until your retirement – up to decades later– when you could be in a lower income tax bracket. So, not only are you not paying taxes on the money you invested, you could be paying them at a lower rate when you finally do "take home" your money.

Do the math

The math of tax deferral is simple: If you're in the 31 percent tax bracket, for example, and you contribute \$5,000 a year, that's \$5,000 of your salary on which you're not paying taxes this year; so you reduce your annual tax bill by \$1,550 ($\$5,000 \times .31$). It's like you're paying yourself to save for retirement!

Putting your savings to work

While saving on current and future taxes is one way to benefit from a tax-deferred retirement plan, you can save even more when you account for the growth potential of your account. When you invest, you



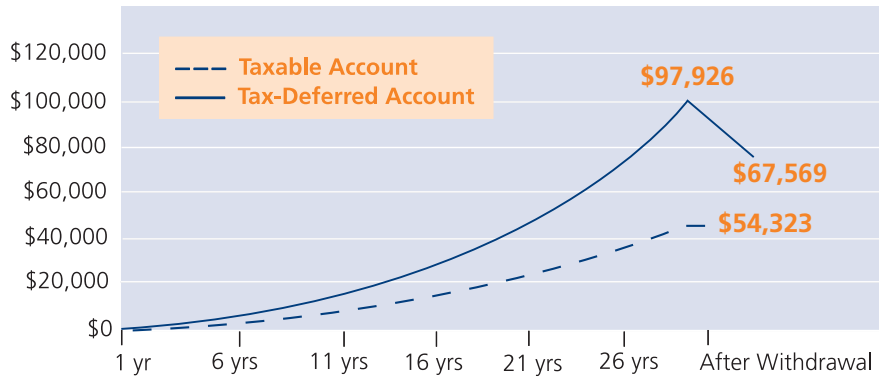
earn interest on your money. And then that interest earns interest. That's called compound interest, and it's how your account grows over time.

Taking compound interest into account, the chart below helps show the difference between saving \$100 monthly over 30 years with a tax-deferred account versus a fully taxable account.

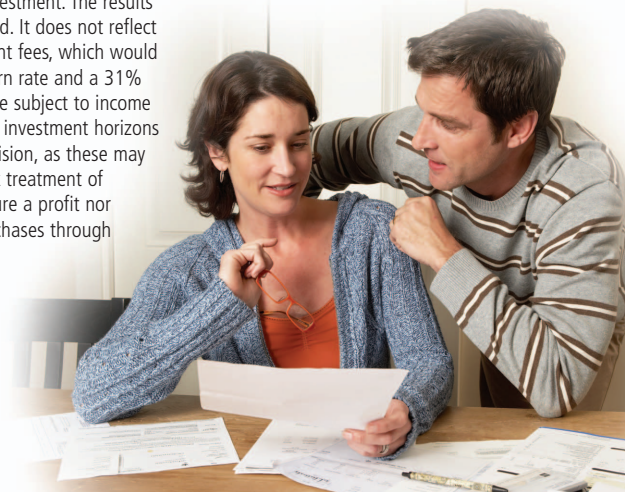
According to the chart, even if the entire amount in the tax-deferred account was withdrawn after 30 years and taxed, more money would still be left than in the taxable account. Note that withdrawals from tax-deferred plans before age 59½ may be subject to penalty taxes.

Put off your taxes – and save

By contributing to your employer-sponsored retirement plan, you'll enjoy the benefits of tax deferral – which can help you save more now and in the future. To learn more about the benefits of a tax deferred retirement plan, talk to your ING representative.



The chart is hypothetical and is not intended to reflect the performance of any particular investment. The results of investing \$100 of qualified assets into taxable and tax-deferred investments are compared. It does not reflect any applicable deductions for annual administrative charges or specific portfolio management fees, which would reduce the return, for the taxable or tax-deferred investments. The chart assumes a 6% return rate and a 31% tax rate applied each year to the taxable investment. Withdrawals of taxable amounts will be subject to income tax and, prior to age 59½, may be subject to a 10% IRS penalty tax. Consider your personal investment horizons as well as your current and anticipated income tax bracket when making an investment decision, as these may further impact the results of this illustration. Bear in mind that a change in tax rates and tax treatment of investment earnings may impact the comparative results. Systematic investing does not ensure a profit nor guarantee against loss. Investors should consider their financial ability to continue their purchases through periods of low price levels.



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