MFS®

SUPERSIZING LUNCH COULD DOWNSIZE YOUR FUTURE

Put your lunch money to work for your retirement

The latest MFS Investing Sentiment Insights survey revealed investors are increasingly confused about their financial futures. For example:

- 58% are concerned about a reduction in Social Security in the next 12 months[2]

Rethinking current spending habits could be the key to confidence and get many of us much closer to our retirement goals. In fact, the US personal savings rate is just 5.5% of disposable income,[3] far less than the 8% to 10% minimum that financial advisors recommend you set aside each year in a retirement account.

According to a study, the average American worker spends approximately $2,750 per year eating lunch out instead of brown-bagging from home.[1] If you spend that much, and your money were instead invested for retirement, you could increase your total retirement savings by more than $200,000, depending on your savings rate, the return rate on your investment and your time horizon.

Consider what compounding can do

The chart below uses the example of an employee with a yearly salary of $50,000. In the first scenario, the employee defers 6.5% of salary ($3,250) into his or her 401(k) account. In the second scenario, the same employee sets aside the additional $2,750 of lunch money in the 401(k), deferring 12.0% of salary ($6,000). As you can see, the difference in compounded savings over time could be significant.

Based on a $50,000 average annual salary

Assumed rate of return is 7% over a 20/30-year time period.	20 YEARS	30 YEARS
$3,250 contribution each year (6.5% deferral rate)	**$142,562**	**$328,487**
$6,000 contribution each year (12.0% deferral rate)	**$263,191**	**$606,438**

Hypothetical results are for illustrative purposes only and are not intended to represent the future performance of any MFS® product. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. The performance of the investments will fluctuate with market conditions.

The more you save and the longer you save, the greater your chances of retiring with a comfortable income. For instance, if the employee in the example above bumped up his or her contribution to 12.0%, it would eventually compound to $606,438 — $277,951 more than the 30-year 6.5% contribution.

Industry averages are based on the Plan Sponsor Council of America (PSCA) 58th Annual Survey of Profit Sharing and 401(k) Plans, 2015.

[1] Source: Visa's 2015 survey.

[2] Source: MFS 2015 Investing Sentiment Insights survey, sponsored by Research Collaborative, an independent research firm. The online survey of 936 individual US investors with $100,000 or more in household investable (nonretirement) assets was conducted from September 1 to September 9, 2015. MFS was not identified as the sponsor of the survey.

[3] Source: US Bureau of Economic Analysis, January 2016.

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