SUPERSIZING LUNCH COULD DOWNSIZE YOUR FUTURE

Put your lunch money to work for your retirement

Key assumptions

- Yearly salary = $59,000 (approximate average income for a US citizen, based on 2016 recent census data).[2]
- Assumed rate of return = 7% (approximate price return of the S&P 500 Index over the past 50 years)

Rethinking current spending habits could be the key to confidence and get many of us much closer to our retirement goals.

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.

According to a study, the average American worker spends approximately $2,750 per year eating lunch out instead of brown-bagging from home.[1] But if you were to invest that amount in your retirement, you could increase your total retirement savings by more than $250,000, 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 $59,000 who has the ability to contribute to a employer-sponsored retirement plan, namely a 401(k). In the first scenario, the employee defers 6.0% of salary ($3,540) into his or her 401(k) account. In the second scenario, the same employee puts the additional $2,750 of lunch money in the 401(k), increasing his or her retirement contribution to approximately 11% of salary ($6,290). As you can see, the difference in compounded savings over time could be significant.

Based on a $59,000 average annual salary

Assumed rate of return is 7% over a 20 or 30-year time period.	20 YEARS	30 YEARS
$3,540 contribution each year (6.0% deferral rate)	**$155,283**	**$357,799**
$6,290 contribution each year (approx. 11.0% deferral rate)	**$275,912**	**$635,749**

Most employer-sponsored retirement plans allow employees some flexibility with how much of their salary can be deferred, and the level selected by employees can have significant long-term outcomes. For instance, if the employee in the example above bumped up his or her contribution by 5% to approximately 11.0%, it would eventually compound to $635,749 — $277,950 more than the 30-year 6.0% contribution. Clearly, the more you save and the longer you save, the greater your chances of retiring with an income for your needs, lending credence to the idea that time is an asset — your asset.

[1] Source: Visa's 2015 survey.
[2] Source: US Census Bureau, September 12, 2017.

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