SIMPLY PUT

Retirement Savings Education, Simplified

First Quarter 2022

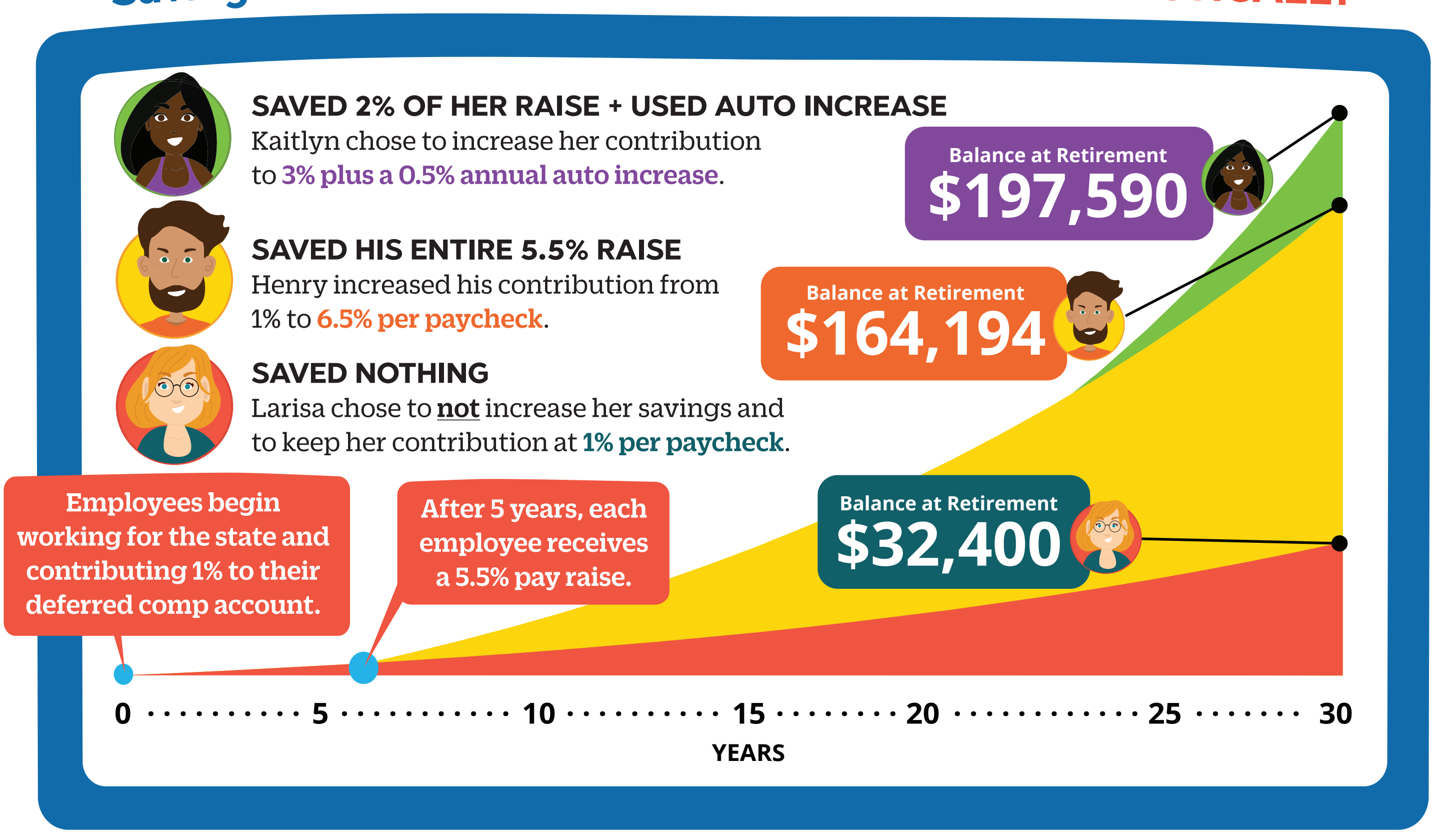
Keeping Your Savings on Pace with Your Salary

Who doesn't love a good pay raise? It validates you're doing a great job at work, makes affording bills easier, and gives you the ability to indulge a little more often.

With every raise, your lifestyle expectations change and so does the amount of income you'll need in retirement to maintain your new lifestyle. This is called the "lifestyle creep" and it's the main reason you don't live like you did in your 20s. New cars, bigger houses, upgraded phones, etcetera, all come with bigger monthly bills.

If you want to maintain your current lifestyle after leaving state employment, or employment in general, you need to be saving enough and increasing your contributions throughout your career. Saving your raise or a portion of it is the easiest way to increase your contribution rate without feeling the financial pinch on your paycheck. **Check out the example below to see how saving your raise could affect your retirement savings balance.**

Saving Your Raise Could Increase Your Balance DRASTICALLY



For illustrative purposes only. Assumes a starting salary of $33,000, semi-monthly pay frequency, a $1,966 balance at the end of year 5, and a 5.5% salary increase ($36,951) at the beginning of year 6, 1.5% annual salary increase for all of the other years employed, and 6% rate of return while employed. Numbers calculated using the Grow Your Retirement Savings Calculator.

4 Things to Do When You Get a Raise

Instead of using your new-found income on nonessential items, use it to better your financial situation. Here are four things you can do to make the most of your pay raise.

1. Update your budget.

Plugging your new income into your budget will give you an idea of how much extra money you'll have and will help you allocate it to the best endeavor.

2. Boost your MO Deferred Comp contributions.

Experts suggest saving at least 50% of your raise. No matter how big or small your raise is, increasing your contributions could drastically improve your financial situation in retirement.

3. Pay off your debt.

The hardest part of tackling debt is committing to it and getting started. A pay raise gives you the opportunity to pay down debt faster and minimize the strain on your wallet.

4. Review your paystub.

Your paystub will tell you, in exact amounts, how much take home pay you'll receive after deductions, such as taxes, social security, and retirement savings. Review your paystubs often and be sure to plug those exact numbers into your budget!

How much is 5.5%?

To help you get started budgeting, we've calculated how much a 5.5% increase would amount to before taxes and deductions are taken out.

Salary	Annual Increase	Monthly Increase
$30,000	$1,650	$137.50
$35,000	$1,925	$160.42
$40,000	$2,200	$183.33
$45,000	$2,475	$206.25
$50,000	$2,750	$229.17
$55,000	$3,025	$252.08
$60,000	$3,300	$275.00

State employees have averaged approximately a

2% annual raise

over most periods.

Best Practice Alert!

Use the automatic increase tool to save time and eliminate the stress of reevaluating your savings strategy each year. With auto increase, your paycheck contributions will gradually increase by the amount you choose in the same month each year with no additional action required from you. Your auto increase amount can be as low as 0.1% or $5. To start saving with auto increase, visit www.modeferredcomp.org and log in to Account Access.

!CAUTION! MARKET VOLATILITY

If you've been paying attention to the markets in 2022, you already know it's been shaky. **Remember, the best time to make changes to your account is before volatility happens; not during or after.** Making major changes – like decreasing/stopping your contributions or switching investment strategies – while the markets are low, could hurt you financially over the long run. To help you get through the turbulent days, here are a few things you can do:

1. Remember that volatility is normal and there is no way to predict how the markets will perform.
2. Increase your contributions while the markets are low. This could result in increased account value when the markets improve.
3. Have realistic investment performance expectations. A good return on an investment is roughly 7% annually. This number is based off the historical average return of the S&P 500 after adjusting for inflation.
4. Call your local deferred comp Financial Education Professional to discuss your long-term strategy.