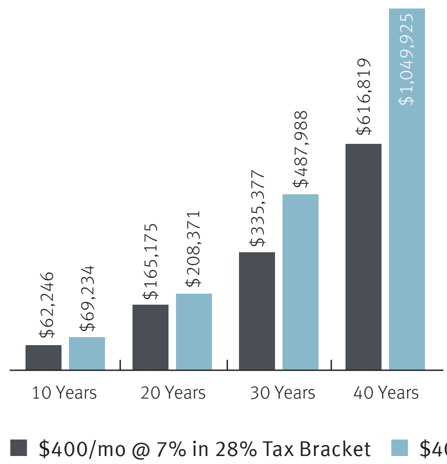
Why participate in your SIMPLE IRA?

Why contribute

When saving for retirement, every dollar counts. The journey from work to retirement isn't made in one giant leap. It takes a lifetime of saving to steadily build your nest egg.

By contributing to your company retirement plan, small contributions today can add up to a significant amount tomorrow. This is due to the advantage of tax-deferred growth. For example, a contribution of $100 a month to a SIMPLE IRA plan can grow to $52,093 in 20 years, assuming an 7% rate of return. So a total contribution of $24,000 turns into $52,093.

The advantage of tax-deferred growth



This is a hypothetical illustration comparing the growth of $400/month invested in a taxable account and a tax deferred account and what those accounts would be worth at various points in time.

This is for illustrative purposes only and does not represent the performance of any particular investment vehicle. Your return will vary.

How a SIMPLE IRA works

A SIMPLE IRA allows participants to make pre-tax contributions through payroll deductions to save for their retirement. Most plans will allow participants to contribute up to 100% of their pay not to exceed the IRS limit of $13,000 for 2019. If the plan provides for catch up contributions, participants age 50 and over may make an additional $3,000 catch-up contribution for 2019.

Your employer will also help build your retirement savings. In a SIMPLE IRA, an employer must match your deferrals on a dollar for dollar basis up to 3% of compensation (the 3% match may be reduced to as low as 1% of compensation for 2 of any 5 consecutive years) OR the employer must contribute to each eligible employee 2% of their compensation. Prior to the beginning of each plan year, your employer will notify you what they will contribute for the upcoming year.

For example, in a plan using the 3% matching contribution, if an employee earns $50,000 and sets aside $13,000, the total annual contribution would be $14,500. The employee contributes $13,000 as a salary deferral and the employer matches the contribution up to 3% or another $1,500 for a total of $14,500.

How RBC Wealth Management can help

At RBC Wealth Management our first priority is to help you achieve your retirement financial goals. RBC Wealth Management puts your needs first, using a Wealth Management approach to effectively help you meet those goals. We integrate your objectives into thoughtful, effective strategies and solutions.

An RBC Wealth Management® financial advisor will work with you to implement your retirement strategy.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

RBC Wealth Management does not provide tax or legal advice. We will work with your independent tax/legal advisor to help create a plan tailored to your specific needs.

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