It's Not Too Late (or the Co$t of Procrastination)

Putting off, or not making a contribution to an IRA can be easy. There may be other uses for the funds that seem more urgent — a vacation, a down payment on a new car, new furniture or maybe just leaving the funds in a regular account to build some liquidity.

However, making that $5,500 contribution, and even making it now instead of next April, can make a large difference when you retire. Many of the benefits of IRAs are obvious — tax deferred earnings, potentially a tax deduction with a regular IRA and the permanent tax-free nature of a Roth IRA.

Two of the not-so-obvious benefits should not be overlooked:

- Making IRA contributions force you to save. Saving more automatically increases the amount you accumulate. Once this saving becomes a habit, you may not even notice you are doing it.
- By contributing early and often, your IRA balance has the opportunity to grow even more.

The cost of missing one IRA contribution

The tax deferred compounding within an IRA allows your money to grow faster since you do not have to pay any taxes while the funds are in the IRA. Roth IRAs provide an even better result since qualified distributions are not subject to tax. Consider what missing just one $5,500 contribution can mean. Of course, what you earn on your IRA is unknown and if it is a regular IRA your tax bracket when you take funds out is unknown, but the cost of delaying just one year can be significant.

Starting Age	Accumulated Value At Age 65 and Earning 6%	Accumulated Value At Age 65 and Earning 8%
30 (35 contributions)	$612,891	$947,742
31 (34 contributions)	$573,011	$872,447
35 (30 contributions)	$434,820	$623,058

36 (29 contributions)	$405,019	$571,813
40 (25 contributions)	$301,755	$402,083
41 (24 contributions)	$279,486	$367,206
45 (20 contributions)	$202,321	$251,691
46 (19 contributions)	$185,680	$227,326

Everyone's situation is different, there are no guarantees on what you can earn on funds within an IRA and your tax situation may suggest that consulting a qualified tax professional is advisable. However, just looking at this chart should demonstrate that consistently making IRA contributions makes sense. Furthermore, these numbers assume you only make contributions of $5,500 each year. The current tax laws provide for ability to make additional contributions beginning at age 50. For those ages 50 and above, you can contribute an additional $1,000 annually.

The cost of delaying to start contributing to your IRA can be significant. If you are age 30 and start your contribution in 2013 instead of 2014 (and you earn 6% on your funds), you will have over $39,880 more ($612,891 instead of $573,011) at age 65. Take advantage of the tax deferred compounding within the IRA and the higher limits to prepare for a financially secure retirement. Contact your financial institution or financial advisor for more information.