MassMutual

3 Reasons Deferring Taxes Can Be a Smart Way to Maximize Retirement Savings

Paying taxes is one of those universal certainties in life, but using retirement products that feature tax deferral, such as an annuity, can be a powerful way to help ensure you're getting the most from your money.

The three strategies working together below, can dramatically increase the strength of your retirement portfolio.

Reason 1

Deferring tax payments on your savings until you're ready to withdraw those funds lets you hang on to more of your money year-over-year.

Reason 2

Deferring taxes gives your money more time to grow and allows you to take advantage of compounding interest.

Reason 3

Deferring taxes until you're no longer actively working could potentially mean you'd pay lower taxes on your savings.

Two Approaches: Who Saves More?

The Smiths and the Johnsons each have **$100,000** to invest.

The Smith Family

$350,182

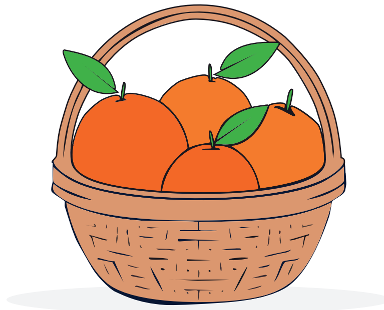
The Johnson Family

$304,887

- With a tax-deferred investment and at a **6%** rate of return, the Smiths **investment grows to $106,000 after the first year**.
- Since there are no taxes due, the entire amount is reinvested for the following year and every year until they are ready to withdraw that money.
- Over a **25-year period**, this compounding effect can turn their investment from $100,000 to **$429,187**.
- When the Smiths retire their total return at time of withdrawal will be around **$350,182 after taxes**.

- Alternatively, the Johnsons decide not to go in on a tax-deferred investment and would **only get $104,560, after tax, in that first year**.
- Over that same **25-year period**, their investment would grow to **$304,887, after tax**.

Resulting in a difference of $45,295 less when compared to the Smiths.



Ensure you have a full understanding how tax deferral can work for you. Talk with your financial professional today to see if retirement products with tax deferral can help bolster your retirement savings.

This hypothetical example is not intended to be a projection of future values and does not represent the performance of any MassMutual product. This example assumes a 24% federal income tax rate and an assumed pre-tax rate of return over 25 years, which is not guaranteed. The investment that is taxed annually assumes the earnings are taxed at 25% each year, and the taxes are paid from the same account. The tax-deferred investment assumes a full withdrawal of the account value at the end of the 25-year period with the withdrawal being taxed at 24%.

Note that lower maximum tax rates on capital gains and dividends could make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the investments shown. For deferred annuities, withdrawals prior to age 59 ½ may be subject to an additional 10% federal income tax. Please consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision, as these may further reduce the results of the comparison. This material does not constitute a recommendation to engage in or refrain from a particular course of action. The information within has not been tailored for any individual.

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