



Early Contributions Can Mean More in Savings

Investors have the potential to earn thousands more in tax-deferred savings by making their contributions earlier in the year.

Every year, you have a nearly 16-month period over which you can contribute to an IRA for that tax year. If possible, you may want to make contributions as soon as you are eligible to do so.

Making an early contribution—whether through a lump sum at the start of the tax year or by contributing evenly each month throughout the year—gives your savings more time to benefit from the power of compounding. Accelerating contributions by a few months may not seem like a big deal for one year, but it can have a significant impact over the long term. While investments are not guaranteed to grow every year, over time, you are likely to benefit from being invested longer.

There may be reasons why you can't contribute to your IRA at the start of every year. Of course, funding an IRA later still is better than making no contribution at all. ■

Compare These Three Investors

They each start saving for the same tax year, and over the next 10, 20, or 30 years, they contribute the same amount every year. The power of compounding from Mike's and Zoe's early contributions puts their balances ahead of Alex's.*



Early

Mike makes a \$6,000 lump-sum contribution (the maximum contribution limit for 2019) at the beginning of each year.



Throughout

Zoe consistently makes monthly contributions totaling \$6,000.



Deadline

Alex makes his annual \$6,000 contribution as a lump sum at the tax filing deadline of the following year.

Difference \$50,301

\$620,271
\$601,445
\$569,969

Difference \$21,830

\$269,194
\$261,024
\$247,364

Difference \$7,357

\$90,725
\$87,971
\$83,367

10 years

20 years

30 years

*Assumes a 7% annual rate of return compounded monthly, \$6,000 contributed annually, and contributions made for 10, 20, or 30 consecutive tax years. Account balances are as of the tax filing deadline month and reflect the same number of annual contributions for each investor. This example is for illustrative purposes only and not meant to represent the performance of any specific investment option. All investments involve risk, including possible loss of principal.

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