

Retirement Investment Exercise

Tom and Jenny graduated college and got married. Both are in their 20s and have decided to contribute to their retirement right away.

Tom works for Accenture and earns \$50,000 per year.

Jenny works for Prudential and earns \$53,000 per year.

401(k)

Tom contributes 5% to his 401(k). Accenture matches up to 5%

Jenny contributes 5% to her 401(k). Prudential matches up to 2.5 %

IRA

Tom and Jenny both contribute the maximum their own Roth IRAs, over and above what they contribute through their employers. (A Roth IRA is NOT the same as a 401k. It is another investment vehicle.)

Questions

1) Annually, how much do Tom and Jenny contribute to their 401(k)'s?

- Tom - \$2,500
- Jenny - \$2,650
- Add Both Together - \$5,150

2) Annually, how much did their employers contribute to the 401(K)'s?

- Tom - \$2,500
- Jenny - \$1,325
- Add Both Together - \$3,825

3) If Tom and Jenny contribute the maximum to their Roth IRA this year, what was the total contribution?

\$14,000

4) What was the total contribution collected? Add **all** contributions (including Roth IRA amounts) from Tom, Jenny, and their employers.

\$22,975

