MFS HERITAGE PLANNING® > RETIREMENT

Should I Stay or Should I Go?

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How leaving the workforce for caregiving potentially impacts your retirement nest egg

Leaving work to care for family members, such as children or elderly parents, is a tough financial decision. But do you know how much it could impact your retirement savings? Here's how saving steadily in a hypothetical employer-sponsored defined contribution (DC) retirement plan compares to taking a seven year break or leaving the workforce permanently:

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Steady versus disrupted saving

43-YEAR PERIOD

	KAREN NO CAREGIVER LEAVE	SARA (7-YEAR BREAK) WITH CAREGIVER LEAVE	MARIA (33-YEAR BREAK) WITH CAREGIVER LEAVE, DOES NOT RETURN TO WORKFORCE
EMPLOYEE CONTRIBUTION			
Amount Invested	$256,978	$193,099	$32,140
Final account value	**$896,728**	**$633,212**	**$279,196**
EMPLOYEE CONTRIBUTION INCLUDING EMPLOYER MATCH			
Amount Invested	$376,649	$284,024	$50,633
Final account value	**$1,342,001**	**$959,903**	**$446,580**
HYPOTHETICAL ANNUAL RETIREMENT INCOME DERIVED FROM ACCOUNT			
	$94,949	**$67,915**	**$31,596**

As you can see, Karen, who saved without disruption, had an ending account balance that was significantly higher — about $260K without a match and about $380K with a match — than Sara, who left work for seven years, and over three times greater than Maria, who left the workforce permanently. Although Maria did not return to work, she let her savings grow versus withdrawing from the account. This resulted in a final account balance of $446,580, which will help form a solid base for her retirement income.

Translating these balances into potential retirement income further highlights the differences and illustrates the potentially significant impact on standard of living in retirement.

Key assumptions
Starting age = 22 | Starting salary = $40,000 | Annual pay increase = 2% | Employee contribution = 3% escalating by 1% per year up to 10% | Employer contribution = 3% match on first 3% deferral, plus 50% of next 3% deferral (maximum match of 4.5%) | Fixed rate of return of 6% per year | Age at break for Sara and Maria = 32 | Length of break = 7 years for Sara, 33 years for Maria | Salary upon return = same as when left the workforce | The hypothetical example assumes that when Sara returns to the workforce she contributes to her DC account at the same rate she was contributing when she left (10%) | Age at retirement = 65 | Assumed life expectancy = 20 years from age 65 | Hypothetical annual income represents a level 20-year annuity calculated using a discount rate of 4%.

These examples are for illustrative purposes only and are not intended to predict the returns of any investment choices. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. Any investments may have fees and expenses that are not taken into account in these illustrations. The performance of the investments will fluctuate with market conditions. Regular investing does not ensure a profit or protect against loss in declining markets.

This material should be used as helpful hints only. Each person's situation is different.
You should consult your investment professional or other relevant professional before making any decisions.

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Insights and action steps

While the decision to leave work for caregiving is both personal and situational, it doesn't have to derail your long-term saving. Keep your savings on track by

- continuing to invest small amounts while you're out of work, possibly through a spousal IRA, to get the benefit of compounding.
- maximizing contributions to your employer-sponsored retirement plan before and after your time out of work.
- choosing investment options with the potential to grow more early in your career, when you have more time to possibly make up for short-term losses from volatile markets.

Contact your financial advisor or investment professional for more information or visit mfs.com.

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