

# NEWS FROM

KHEAA–Alabama

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## Money Tip for Students, February 2022

### Now is the time to start planning for retirement

Retirement may be a distant concern for high school and college students, but they might want to start thinking about it now, according to KHEAA–Alabama.

The best time to start planning for retirement is when you're young. You should research your options for investing early so the money you invest now has more time to grow and help you when you get older.

Two options for members of tomorrow's workforce are a 401(k) savings account and an individual retirement account (IRA).

Many employers offer their workers a 401(k) option. With a 401(k), the employee has a percentage of their wages deducted and deposited into a tax-deferred account. Most contributions are invested in mutual funds. Some employers may wholly or partially match what an employee contributes.

IRAs come in several forms, but perhaps the most popular are the traditional IRA and the Roth IRA. Both types are held by a custodian, usually a bank or a brokerage firm. IRA contributions can be invested in stocks, bonds, certificates of deposits and even real estate.

In a traditional IRA, the contributions are made before taxes. The account owners pay taxes on the funds they withdraw. With a Roth IRA, the contributions come from after-tax money, which means that withdrawals are tax free.

Keep in mind that the federal government can change the rules about retirement accounts at any time. You should consult a trained professional to make sure you choose the best plan for you.

KHEAA is a public, non-profit agency established in 1966 to improve students' access to college. It provides information about financial aid and financial literacy at no cost to students and parents. KHEAA also helps colleges manage their student loan default rates and verify information submitted on the FAFSA. For more information about those services, visit [www.kheaa.com](http://www.kheaa.com).

In addition, KHEAA disburses private Advantage Education Loans on behalf of its sister agency, KHESLC. For more information, visit [www.advantageeducationloan.com](http://www.advantageeducationloan.com).

For more information about financial aid and college planning, visit [www.alstudentaid.com](http://www.alstudentaid.com).