

Why Two Identical Salaries Can Lead to Very Different Retirement Lifestyles

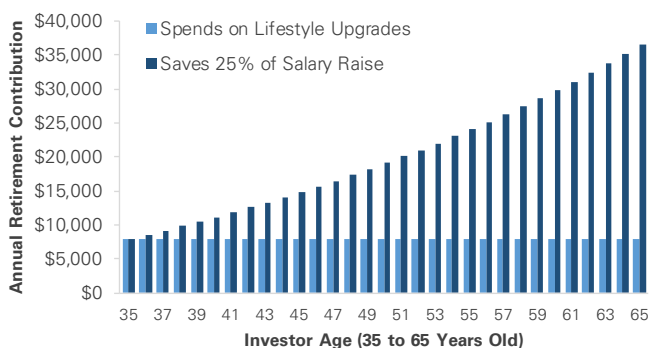
Many people spend their careers focused on reaching the next salary milestone or securing a promotion, but financial progress shouldn't be measured by your paycheck alone. The decisions you make in your peak earning years are just as important as the size of your paycheck. One of the most significant risks is lifestyle creep, which is the tendency for everyday spending to rise alongside income. How you manage a salary raise today can have a significant impact on your long-term financial security. Without a strategy for handling salary increases, even a high-earning household can find themselves ill-prepared for the future.

The charts below demonstrate how different approaches to a salary increase can impact a retirement portfolio's growth. They're based on a hypothetical scenario: two individuals aged 35 make \$80,000 annually and receive 3% annual raises. Both start by contributing 10% of their salary, or \$8,000, to retirement savings. The two sets of bars in Figure 1 track different strategies for managing the raises and retirement contributions. The Lifestyle individual keeps their annual contribution fixed at \$8,000. Every dollar of every raise is spent on immediate lifestyle upgrades, such as a nicer car, another trip, or higher discretionary spending. The Saver individual takes a more balanced approach, setting aside 25% of every raise while enjoying the rest. For example, a \$2,000 raise would increase the next year's contribution by \$500, or 25%.

While both individuals earn the same amount, their retirement savings quickly diverge. Figure 2 graphs the ending portfolio values at age 65, reflecting 30 years of each individual's savings strategy. These hypothetical ending account values assume the portfolios earn a +9% annual return. Over 30 years, the Lifestyle individual contributed nearly \$250,000, which grew to nearly \$1.2 million. The Saver individual contributed nearly \$630,000, which grew to nearly \$2.2 million, almost \$1,000,000 larger than their peer's. The difference isn't just additional savings but decades of compounding that can extend a portfolio's life in retirement or create the option to retire earlier. In contrast, the Lifestyle individual not only saves less but also increases their base cost of living, which will require a larger portfolio to sustain their lifestyle in retirement.

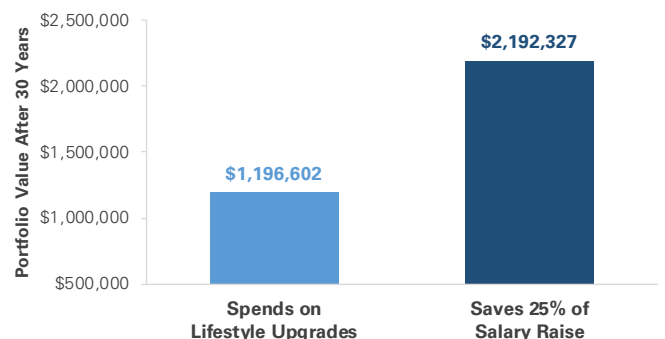
Building long-term wealth isn't just about what you earn; it's about how you manage the surplus as you earn it. Raises can either disappear into lifestyle upgrades or become a powerful tool for future security and flexibility. It's about finding a balance between enjoying the reward of hard work today and saving for your future. There's no one-size-fits-all approach, and the method you start with doesn't have to be permanent. Everyone's retirement looks different, and the right strategy depends on your goals and life stage. Our goal is to help you create a savings strategy tailored to your unique needs and goals so that when the time comes, you're ready to enjoy retirement.

Figure 1 – Annual Retirement Contribution By Savings Strategy



Disclosures: This is a hypothetical illustration for educational purposes only. It assumes a starting salary of \$80,000 at age 35 with a 3% annual raise. The Lifestyle investor maintains a fixed \$8,000 annual contribution, while the Saver assumes an individual increases their contribution each year by an amount equal to 25% of their annual raise. These figures are intended to demonstrate the impact of increasing savings rates over time and do not account for employer matching, taxes, or inflation. Actual results will vary based on individual circumstances.

Figure 2 – Ending Portfolio Value Based on Savings Strategy



Disclosures: Past performance is no guarantee of future results. This is a hypothetical illustration intended for educational purposes only and does not represent the actual performance of any specific investment or portfolio. The "Ending Portfolio Value" is based on the following hypothetical scenario: starting balance of \$0 at age 35, annual contributions in line with Figure 1, and assumes a 9% annualized rate of return over a 30-year period. Actual results will vary based on actual market returns, individual financial circumstances, market volatility, and investment choices.

Important Disclosures

PUREfi Wealth, LLC ("PUREfi") is a registered investment adviser with the Securities and Exchange Commission. Any reference to the terms "registered investment adviser" or "registered" does not imply that PUREfi or any person associated with PUREfi has achieved a certain level of skill or training. A copy of PUREfi's current written disclosure statement discussing our advisory services and fees is available for your review upon request.

The information provided is for informational purposes only and advisers should determine for themselves whether a particular service or product is suitable for their clients' investment needs.

The information contained herein should not be construed as an attempt to sell or solicit any products or services of PUREfi or any investment strategy, nor should it be construed as legal, accounting, tax or other professional advice. This material is proprietary and may not be reproduced, transferred, modified or distributed in any form without prior written permission from PUREfi. PUREfi reserves the right, at any time and without notice, to amend, or cease publication of the information contained herein.

Certain information contained herein has been obtained from third-party sources and has not been independently verified. It is made available on an "as is" basis without warranty. Any strategies or investment programs described in this presentation are provided for educational purposes only and are not necessarily indicative of securities offered for sale or private placement offerings available to any investor. The views expressed in the referenced materials are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance; actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur.

Historical performance results for investment indices and/or product benchmarks have been provided for general comparison purposes only, and do not include the charges that might be incurred in an actual portfolio, such as transaction and/or custodial charges, investment management fees, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.