

The Secret Sauce

Why Your Workplace Retirement Plan Is More Powerful Than You Think

When it comes to your workplace retirement plan, what's not to love? It provides you with an automatic savings plan, tax advantages, an employer match, a diverse menu of well-researched investment options and comprehensive online retirement planning tools. However, there's one ingredient that makes your plan so powerful that it almost feels like cheating — compound interest. It's the secret sauce that has the potential to turn even modest savings into something much bigger over time.

WHAT'S IN THE SECRET SAUCE?

Compound interest means your money earns interest not only on what you save, but also on the interest it already earned. It's like a snowball rolling downhill — small at first, but gaining speed and size as it goes. Here's a simple example: If you invest \$100 a month into a workplace retirement plan such as a 401(k), and it earns an average 7% return annually, in 30 years you could have over \$113,000. Even better? Your investment growth isn't taxed each year. That means more of your money stays invested and keeps working for you, year after year. That's called tax-deferred compounding, and it's what gives your savings real power over time.

TRADITIONAL OR ROTH? THE SAUCE STILL SHINES

Whether you're saving in a traditional (pretax) account or a Roth (after tax) account — or a mix of both — compound interest works the same. The key difference is when you pay taxes: either now (Roth) or later (traditional). But the growth engine behind the scenes? That's the sauce.

START EARLY, LET IT SIMMER

The real magic happens over time. The earlier you start saving, the more time compound interest has to work. Even small contributions can potentially grow into something significant. And don't forget: matching contributions from your employer also benefit from the secret sauce. So keep stirring the pot and commit to increasing your savings rate each year (even if it's just 1%). Your future self will be very glad you did.

Informational Sources: Fidelity: "[What is Compound Interest?](#)" (December 16, 2024); TurboTax: "[The Tax Benefits of Your 401\(k\) Plan](#)" (June 24, 2025).

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