



## IRA Insights

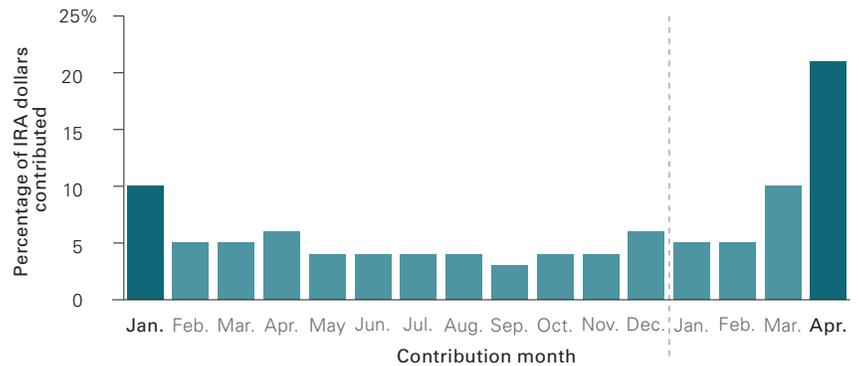
# Are investors subjecting themselves to the “procrastination penalty”?

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Many IRA investors wait until the last minute to make contributions.

When making a contribution, IRA investors have a window that opens on January 1 of the tax year and closes on the following year’s April tax-filing deadline. More than double the amount of contributions are made at the last minute than at the first opportunity.

Vanguard IRA contributions by month (tax years 2007–2012)



Source: Vanguard.

Procrastination has a cost.

Missing out on a year’s worth of tax-advantaged compounding is like paying a “procrastination penalty.” As shown in the hypothetical example at right, over 30 years, a “last-minute” investor could wind up with \$15,500 less than an “early bird” investor, even assuming the same contributions and investment returns.

“Procrastination penalty” over time (\$165,000 contributed over 30 years)



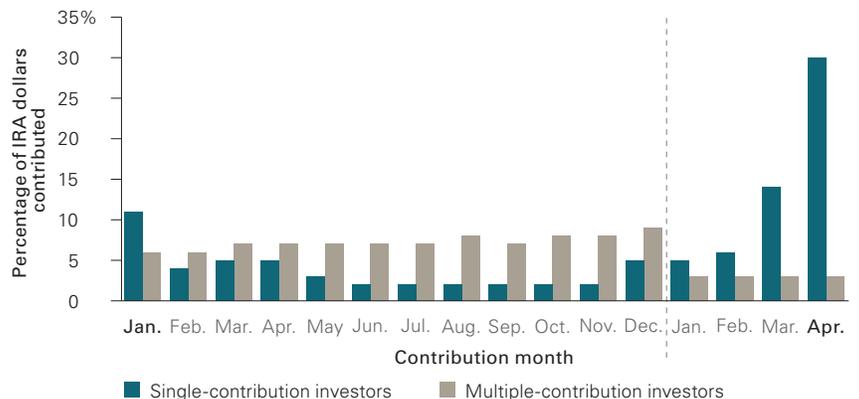
Source: Vanguard.

Notes: This hypothetical example is provided for the purposes of illustration only. All figures are in today’s dollars. “Early bird” contributes January 1 of the tax year; “Last minute” contributes April 1 of the following year. Figure assumes each investor contributes \$5,500 for 30 years and earns 4% annually after inflation. Projected balances are as of April of the ending year, when the procrastinating investor makes the final contribution.

Investors who make multiple contributions are less likely to run up against the contribution deadline.

Ideally, investors should make their annual IRA contributions as soon as possible. Another way to reduce procrastination is to set up automatic investments, which makes it easy to contribute regularly.

Vanguard IRA contributions by month (tax years 2007–2012)



Source: Vanguard.

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