Chart of the Month | February 2026

Why Two Identical Salaries Can Lead to Very Different Retirement Lifestyles

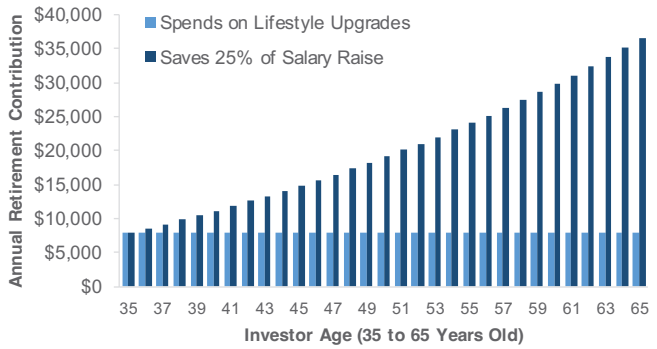
Many people spend their careers focused on reaching the next salary milestone or securing a promotion, but financial progress shouldn't be measured by your paycheck alone. The decisions you make in your peak earning years are just as important as the size of your paycheck. One of the most significant 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 $1,00,000 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.

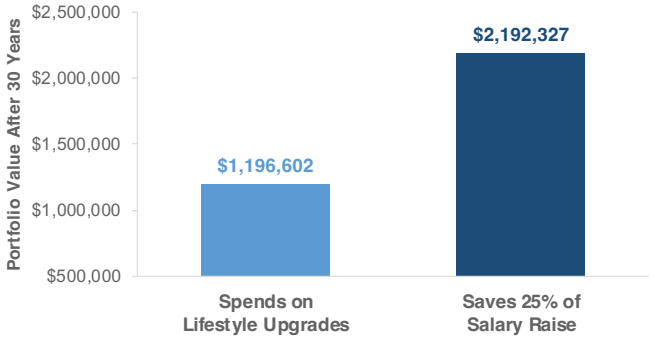
Building long-term wealth isn't just about what you earn; it's about how you manage the surplus as you earn it. Raises can either disappear into lifestyle upgrades or become a powerful tool for future security and flexibility. It's about finding a balance between enjoying the reward of hard work today 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.

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