Planning for Retirement

Planning for Retirement While You are Still Young

Retirement may seem abstract and far in the future at this stage in your life. However, preparing now for retirement is crucial, and the sooner you get started the better.

The biggest advantage to starting young is time. If you put $1,000 into an IRA each year from age 20 to age 30 (11 years), and the account earns 7 percent annually, you will have $168,514 in the account when you retire at age 65. If you don't start until age 30, but save $1,000 each year for 35 years straight earning 7 percent annually, your account would grow to only $147,913.

Saving for retirement may seem like a strain on your budget right now, but you can start small and grow. Even setting aside a small portion of your paycheck each month will pay off in big dollars later. By starting young, you also can afford to invest more aggressively since you have years to overcome the inevitable ups and downs of the stock market. Developing the habit of saving for retirement now will make it easier to continue saving throughout your working years.

Planning for Retirement When There's Little Time Left

What if retirement is just around the corner and you haven't saved enough? Some of these tips may be tough to swallow, but they will all help you toward your goal.

- It's never too late to start. It's only too late if you don't start at all.
- Commit everything you can to your tax-sheltered retirement plans and personal savings. Try to put away at least 20 percent of your income.
- Find ways to reduce expenses in your budget and funnel the savings into your nest egg.
- Take a second job or work extra hours.
- Aim for higher returns, but don't invest in anything that you are uncomfortable with.
- Retire later. Even working part-time after your planned retirement age may be enough.
- Refine your goal. You may have to live a less expensive lifestyle in retirement.
- Delay taking Social Security. Benefits will be higher when you start taking them.
- Make use of your home by renting out a room, or move to a less expensive home.
- Sell assets that are not producing income or growth, and invest in income-producing assets.

Tips on How to Save Smart for Retirement

- Start NOW. Don't wait. Time is critical.
- Start small, if necessary. Even small contributions can make a big difference given enough time and the right kind of investments.
- Use automatic deductions from your payroll or your checking account for deposit into mutual funds, your IRA or other investment vehicles.
- Save regularly. Make saving for retirement a habit.
- Be realistic about investment returns. Never assume that a year or two of high market returns (or market declines) will continue indefinitely.
- Roll over retirement account money if you change jobs.
- Don't dip into retirement savings.

We're here to help! Contact Sentinel Benefits & Financial Group for the guidance you need.

Article adapted from the U.S. Department of Labor publication of the same title. www.dol.gov/ebsa/pdf/savingsfitness.pdf.