

Racing to Retirement:

As with running, preparation matters enormously

With all the chores required to get through each day, many of us spend all of our free time trying to complete routine tasks. The few waking hours not consumed by work can easily be filled with duties such as cleaning, grocery shopping, and caregiving. It is no small wonder that most people rarely pause to think about quality of life issues in 20 or 30 years at retirement.

The U.S. Social Security Administration (SSA) reports that the average man and woman can expect to live 19 and 21 years after retirement age (age 65), respectively. That is quite a few years to save for. Unfortunately, though, many Americans have not even started to save for retirement for a number of reasons. According to the Employee Benefit Research Institute (EBRI), retirement savings may be taking a back seat to more immediate financial concerns like job security, cost of living, and day-to-day expenses. This is contrary to the tremendous power of saving early and often. In this hypothetical scenario, earning a 4% interest rate, saving an annual sum of \$2,000 would be worth \$24,012 in 10 years, \$59,556 in 20 years, and \$112,170 in 30 years.

Based on the example above, we can see that even a relatively small effort can have a significant impact over time. With ongoing daily concerns, many people give little thought to planning for financial security in retirement, or think that they will get to it later. But, time is on your side if you start now. So, how can you get on the retirement savings track? Starting today, consider taking the following steps:

Educate yourself. Ignorance is not always bliss. It's important that you learn as much as you can about the retirement options that are available to you. Make sure you understand the negative effect inflation can have on your savings, the tradeoffs between risk and return, and the tax implications of your financial decisions.

Set a goal. Some statistics indicate that you will need 70–90% of your current annual income in order to live comfortably in retirement. To meet that percentage goal, you need to know the minimum amount you must save. We can help you develop savings strategies tailored to meet your needs.

Participation is key. If your employer offers a retirement plan, sign up! Many employers match contributions by 25%, 50%, or 100%, which increases the total amount of your savings. Contribute as much as you can, up to the amount allowed by law.

Compare benefit packages. If you are in the market for a new job, retirement benefits offered by a potential employer are extremely important. Select a new position with care and only after evaluating the benefits, which may have a great impact on your future.

Know what's coming to you. A Social Security Statement is available to you online at www.socialsecurity.gov. The statement provides access to earnings and benefit information. Since Social Security typically only replaces a percentage of pre-retirement income, it may not be a sufficient source of retirement funding. Learn their estimate, and plan around it. A good habit is to check your online statement once a year.

What's the rush? A lot of people enter retirement only to discover that they want to be back in the workforce. With that in mind, consider delaying retirement by a couple of years. This will give you the opportunity to delay withdrawals, earn more, save more, extend your earnings horizon, and increase your Social Security benefit.

Life gets complicated and saving for retirement takes a back seat to day-to-day issues. Take the time to learn about your retirement options and what you must do to reach your goals. Planning today can increase your chance of having the financial stability to sit on the sidelines and enjoy your well-earned leisure.

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