RETIREMENT PLANNING

STARTING EARLY

STARTING LATER

STARTING MUCH LATER

MY LIFE

For when you reach your life's milestones

RETIREMENT PLANNING

STARTING EARLY

When you are in your 20's and just starting your career, saving for retirement is probably the last thing on your mind. Right now you may be concentrating on paying of school loans, purchasing a car or saving for a home. Still, taking the time to start saving for your retirement, while balancing your other goals, cannot be overstated. More and more employers are contributing less towards retirement savings which means your well being in retirement will depend on you.

Budget for Retirement! In the first 10 years of your career you are in an excellent position to make the right financial choices that will put you on the path to financial independence. Having a budget puts you in control and gives you a tool so that you spend less than you earn and not have to worry about paying the bills. If you add your retirement savings to your budget right from the start, it won't have the impact of being a new outflow later in your career when you're likely to have more financial commitments!

Where to Save!

- Through your Employer - Most employers, if they offer retirement savings, will have a 401K plan available for their employee's. The days of defined-benefit plans, where an employee receives a set monthly payment upon retirement, are gone. Many times the employer will match a percentage of the amount that you contribute to your 401K account. This amounts to basically free money that you can take advantage of.
- Through your Credit Union – Whether or not your employer offers a 401K plan, it is a great idea to see the investment professionals at your credit union to discuss your options. Traditional and Roth IRA's are a great tools to use when saving for retirement and your credit union has a number of investments that can put you well on your way to a secure retirement! If you change jobs you can consolidate your previous employers 401K plans in an IRA at your credit union.

How Much to Save!

- The amount you save for retirement needs to be balanced with your other financial goals. If you contribute the maximum to your retirement plan but do not have emergency savings or have a large amount of credit card debt, you are putting you are paving the way to financial ruin.
- How much you save will depend on a number of variables, but the important part is that you start saving as soon as you can! Saving as little as 1% of your income to start and gradually increasing that percentage as your income grows will allow you to increase your contributions without seeing your disposable income decrease. Of course if you can start out with 3% or 5% that would put you in an even better position.

Why Save Early! This example is the easiest way to show the difference starting early can make. We will assume an 8% annual return in both scenarios:

- If you start at age 25 and contribute $3000 a year to a tax-deferred retirement account for 10 years and then do not save another dime. At the age of 65, your $30,000 investment will be worth more than $472,000.
- Now if you put off saving for retirement until you turn 35 and then start saving $3000 a year for 30 years, your $90,000 investment will be worth about $367,000.
- By starting at age 25 you contributed $60,000 less to your retirement and at age 65 have $105,000 more in your account! That is a huge difference. Now imagine what the balance would be if you started at age 25 and contributed for 40 years and were able to gradually increase the amount you contributed each year.

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According the Federal Reserve's survey, most people in their 30's are in debt and carry the largest debt burden, relative to their earnings. This is due to the majority of people buying their own homes and having children at home.

–Credit card debt is high, with a large percentage of people not paying the card off in full each month.

–One out of four 30 somethings still owe money for student loans.

Once you are in your 30s, it's are a great time to improve your finances. It's not too late to start over if your finances are a mess, and if you have managed to lay a solid financial foundation in your 20s, it's the perfect time to build on it.

HOW MUCH MONEY DO I NEED TO RETIRE, IF I START IN MY 30'S?

Up your retirement contributions: Hopefully, you began saving for retirement in your 20s. If you didn't, open a retirement account at your credit union. If you have a spouse, open retirement accounts for him/her as well. Look at what you have been investing in your retirement, and then figure out how much more you can put in. Reconsider your priorities; your kids can get loans for college, but you are on your own for retirement. Get serious about the future.

Consider your asset allocation: Again, take a look at your investment portfolio and consider your asset allocation. Make a plan that fits your long term financial goals, and consider asset allocation and appropriate diversification as part of that plan. You might need professional help as you plan ahead. Make an appointment with your investment representative at your credit union to get you started. Just make sure you re-visit your portfolio at least once a year throughout your 30s to re-balance as needed.

STARTING MUCH LATER

HOW MUCH MONEY DO I NEED TO RETIRE, IF I START IN MY 40'S

You now have less time to recover from financial mistakes. Your income is higher, but you are handling hefty expenses such as home mortgages, children's education and paying down car and credit card debt. You need to build wealth and control debt.

According to the Federal Reserve's Survey, 60.7% of people in their 40's have workplace retirement or private retirement plans in place, compared to 54% of people in their 30's.

As these figures are a long way from ideal, you need to focus on paying attention to your cost of living and if necessary introducing cut backs. Every $1.00 you fail to save now will cost you $10.00 less in retirement income.

College Strategies: Naturally you want to give your children a decent start, but don't undercut your own future. Do not take on more debt than you can repay, and consider the lower cost alternatives if it means cutting your own retirement savings. It is time to talk with your investment representative to consider alternatives for both investing and consolidating debt.

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