Retirement Connection

Foresters Financial

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Worried about saving enough for retirement? Follow these four steps.

Retirement is scary for many Americans—and not because they dread the thought of no longer working—but because they won't have enough money for it.

A 2016 study by the Federal Reserve found that one-third of non-retired Americans have no retirement savings or pension whatsoever. The average retirement balance for people age 54 to 65 was just $14,500. And unfortunately the outlook is even bleaker for today's young adults, who often have so much college debt that they aren't saving for the future.

These are troubling statistics and, they suggest that many of today's working adults will either never retire or will quickly run out of money once they do.

But there is a silver lining: turning around your retirement outlook probably isn't as difficult as it seems. Even if you're years behind on savings, certain steps can help you catch up and stay on track.

Here's a four-step plan to saving better for retirement:

1. **Envision the future.**

   Even if your retirement is years away, try to envision what it will look like. Consider where you might live and how you will spend your time. You don't have to know all the details, of course, but having at least a rough picture of your future and your goals will help you determine how much retirement income you will need.

   Consider key questions such as: Will you still be paying a mortgage or rent in retirement, or will your home be paid off? What activities will you spend the bulk of your time doing? Will you have additional expenses—such as international travel or an expensive hobby—that might require more income?

   A commonly used rule of thumb says you will need 70 percent of your pre-retirement income in retirement. But the reality is that some people will need far less than that—and others will need far more.

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2. **Calculate a savings goal.**
   You may feel overwhelmed thinking about retirement and how much you must save for it because it's so far into the future and, frankly, a huge expense. Retirement can easily last 20 or more years.

   But that good news is that help is available. A Foresters representative can guide you through the process of calculating how much money you'll need saved by your intended retirement age, factoring in your current spending habits, your future goals and your investment strategy. Using state-of-the-art forecasting tools, your representative can help you find "your number"—how much money you need saved by retirement—which will, in turn, help you determine how much you need to save today in order to reach that final goal.

3. **Maximize your saving opportunities.**
   An employer-sponsored retirement plan—assuming you have access to one—is a great place to save. You can automatically have money deducted from every paycheck and deposited into your retirement account, essentially putting your savings on autopilot.

   You also get a tax break on that savings, whether it's a tax deduction today (provided by a traditional account) or tax-free withdrawals (provided by a Roth). And your employer likely throws in a matching contribution up to a certain percentage of your income.

   In 2017, you can contribute up to $18,500 to your workplace account, with an additional $5,500 "catch-up" contribution available if you're age 50 or older.

   It makes sense to contribute as much as you can to your retirement account today, and certainly at least enough to get the full matching contribution from your employer. Then aim to increase your savings rate every year—such as by 1% of your income or by however much you got as a raise in the prior year—until you eventually reach your annual contribution limit.

   By saving and investing more today, your investments will have time to grow, with the potential of becoming a much bigger sum of money by the time you're ready to retire.

4. **Trim your spending to build savings.**
   Reality is that most people aren't saving enough for retirement because they're putting money toward other things they don't necessarily need. Finding an extra $50 or $100 to put in your retirement account each month probably isn't as difficult as you think.

   Look at your cable and cellphone bills, restaurant meals, and entertainment expenses. You very well might find opportunities to reduce those costs and put that savings toward your retirement.

   Yes, saving for retirement does require sacrifice. But there's a big payoff in the end: Someday you'll be able to stop working and spend your time doing what you enjoy most.

Your Foresters representative is here to help you meet your goals. He or she can help you determine your future retirement income needs and develop a plan to get you there.

1 – Report on the Economic Welfare of US Households in 2015. Board of Governors of the Federal Reserve. Published May 2016. (https://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf)

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Build Your Nest Egg With Systematic Investing

Number of years	$300 monthly investment	$500 monthly investment	$1,000 monthly investment
10	$55,250	$92,083	$184,166
15	$104,504	$174,173	$348,345
20	$177,884	$296,474	$592,947

Note: This table assumes an 8 percent annual return. This illustration is hypothetical in nature and does not reflect the performance of any Foresters Financial Services, Inc. product or any other specific investment. It does not reflect the impact of taxes or fees. After applicable taxes or fees, values will be less. Changes in tax rates and tax treatment of investment earnings and applicable tax laws may also impact results.

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