SAVING ENOUGH FOR RETIREMENT?

It's An Age Old Question

How Much Is Enough?

As you reach certain milestones, it becomes more obvious that retirement is fast approaching. Are you saving enough? It's a good idea to review your savings at key checkpoints and find ways to overcome possible gaps.

Retirement Checkpoints

There are several ways to estimate whether you are on track to reach your retirement goal. While each person has unique savings needs, rules of thumb can give you a broad target to aim for. One measure is the size of your savings in relation to your age and income.

Retirement experts estimate that at age 65, you should have saved 11 to 12 times your final pay. However, studies show most workers will only save 8.8 times their final pay. In dollars that could amount to a shortage of over $100,000 if your final salary is $45,000 a year.

Source: The Real Deal: 2012 Retirement Income Adequacy at Large Companies, Aon Hewitt, 2012; CNN Money, 2011.

Age And Income Checkpoints Can Help Gage If You're Saving Enough

Age	You should have saved	Savings target if you make $45,000/year
35	1.4 x your pay	$63,000
45	3.7 x your pay	$166,500
55	7.1 x your pay	$319,500

Source: Your Money Ratios: 8 Simple Tools for Financial Security by Charles Farrell, 2011.

Coming Up Short?

If you're missing the target, there are things you can do that may help get your savings on track.

Max Out Your Company's Retirement Plan

- Some financial planners suggest you save 10 to 20% throughout your entire career.
- If that's too big a step for your budget, try to save a few percentages more each year.
- If your company matches your contribution, save at least enough to get the full match.

Joe Makes $45,000 a year.

What happens if he:

Saves an extra **2%** a year.	Save an extra **5%** a year.

He potentially earns:

$34,826 more in his retirement savings in 20 years.	**$87,298** more in his retirement savings in 20 years.

Hypothetical examples based on an annual salary of $45,000 and 20 years to save with 6% investment returns. Assumes reinvestment of all gains, dividends, and interest and does not include fees, expenses, or taxes. If all taxes, fees, and expenses were reflected, the reported portfolio value would be lower. Source: American Century Investments Time/Value Calculator.

Play Catch-up If You’re Age 50 Or Older

- At age 50 you may be able to put extra money in your retirement plan, called catchup contributions*. The amount you can make depends on the type of retirement plan you have.
- Catch-up contributions are designed to help make up for savings you may have missed when you were younger.

2%/year
catch-up contribution

$49,345 more
for your retirement

Hypothetical calculation of $2,000 annual investment over 15 years at a 6% return rate. Assumes reinvestment of all gains, dividends and interest, and does not include fees, expenses, or taxes. If all taxes, fees, and expenses were reflected, the reported portfolio value would be lower.

Source: American Century Investments Time-Value Calculator ©2012 Standard & Poor’s

**The rules and amounts for catch-up contributions are set by the IRS each year. Check with your employer to see what you are eligible for in your retirement plan.*

Review Your Investment Choices

- Having the appropriate mix of stock, bond and money market investments may play a vital role in improving your odds of reaching your goal.
- Stock funds, while riskier, can potentially help your savings grow more.
- Less risky investments, like bonds and money markets, can potentially help lower your risks of losing money when markets go up and down.

The Bottom Line

Reviewing your retirement savings at different checkpoints may help you determine whether you’re saving enough, or if you need to make adjustments.

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