HOPE IS NOT A STRATEGY

Are You Saving Enough In Your Employer's Retirement Plan?

If you're already contributing to your employer's retirement plan, you've made a smart choice and may be well on your way to a comfortable future. However, most people who are saving for retirement aren't sure they're saving enough.[1] They're hoping so.

Do The Math

To figure out if you're saving enough, first you need to know how much you'll need. Experts say you'll need about 80%[2] of your current income each year to maintain a similar standard of living. Plus, with healthier lifestyles these days, many retirees can expect to live up to 30 years in retirement.

Current Income	How Much You Could Need Each Year In Retirement
$50,000	$40,000

That translates to $1.2 million total – will you have enough?

So, How Much Should You Save?

The short answer is — as much as you can! No matter how you add it up, retirement won't be cheap and you'll be the one paying for it.

If you have 10 or more years before retirement, using the 80% rule of thumb is probably appropriate. However, if you're within five to seven years of retirement, you'll want to develop a more specific plan for retirement. Start with these ideas.

1. MAKE IT A PRIORITY

You have a lot of expenses competing for your income. This will be the same in retirement, but without the steady paycheck. The more you save now, the easier it will be to cover those expenses.

Find ways to make saving for your future a priority. Financial planners estimate that the average household wastes 10 to 15% each month. By realistically figuring out where your money is going today, you'll likely find places to stop spending and put it toward your retirement.

Too Risky Or Too Conservative? Find Your Balance?

A target date fund may be a good solution for helping you have the right balance for your retirement savings based on your age and how long you have until retirement.

You choose a fund with the date closest to your intended retirement date. The funds follow a pre-set asset allocation schedule that's specifically designed to provide the trade-off of risk and reward potential based on the target date.

A target date fund is named by the approximate year when investors plan to start withdrawing their money. The principal value of the investment is not guaranteed at any time, including at the target date. Each target date portfolio seeks the highest total return consistent with its asset mix. Each year, the asset mix and weightings are adjusted to be more conservative. In general, as the target year approaches, the portfolio's allocation becomes more conservative by decreasing the allocation to stocks and increasing the allocation to bonds and money market instruments.

2. INCREASE SAVINGS, NOT RISK

Some people think they can compensate for saving too little by putting money into more aggressive investments. That may work if you're in your 20's or 30's while you have the luxury of time. But as you get older, adding more risk, or the wrong kind of risk, can backfire. Your best bet is to:

- Save enough (start with determining how much you'll need)
- Put your investments in the right risk category for your age, your time horizon and your overall comfort level with risk

3. GIVE YOURSELF A NUDGE

Try increasing your contribution by one or two percent every year. Making that little nudge over time can have a powerful impact on your savings. You'll see immediate small impacts in current tax savings and it's less painful on your bottom line each month.

4. MATCH THE MATCH

If your employer offers to match your contributions up to a certain point, take advantage of it. It's almost like getting free money and is one of the easiest ways to help fund your retirement.

The Bottom Line

Creating a plan is one of the best ways to determine whether you'll have saved enough for retirement. Knowing about how much you'll need and then taking steps to help you reach that amount can mean the difference between confidence and hope.

A Little Nudge May Produce Impressive Results

	1 Percent	2 Percent
Amount your monthly take home pay will be reduced	$31	$63
Amount your annual income tax bill will be reduced	$125	$252
Amount the additional percent could have on your savings over 30 years	$31,296	$63,604

Hypothetical example based on an annual salary of $50,000 in the 25% tax bracket and 30 years to save at 6%.
Source: American Century Investments Time/Value Calculator

1 Source: Employee Benefits Research Institute (EBRI) 2012. 70% of workers are not sure they're saving enough to fund their retirement.

2 Source: American Society of Pension Actuaries

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