CERTIFIED FINANCIAL PLANNER
BOARD OF STANDARDS, INC.

Plan Now for Comfortable Retirement

Saving for retirement isn't what it used to be. The metaphor of retirement as a three-legged stool - supported by a pension, savings and Social Security - is no longer adequate for lifelong financial stability. Like everything else in our increasingly complex economy, preparing for retirement is, well, complex.

The reasons are varied. For one thing, Americans are living a full decade more than their grandparents. For another, traditional pension programs have given way to defined contribution plans, such as 401(k) plans, that are controlled by individual employees and do not guarantee a return. And many feel the ever-reliable third leg of the stool - Social Security - is no longer a sure thing.

To make sure your retirement plans are adequate:

- **Determine how much you will need to live comfortably after retiring.** Among the many online options is the U.S. News and World Report retirement calculator, available at www.bankrate.com/usn/cgi-bin/retire.asp?nav=grn&page=calc_home or try the Savings Tool at the American Savings Education Council's Web site (www.asec.org), which poses a series of questions in helping you decide how much you will need.

- **Know how much you must save every year to reach your goal.** The earlier you begin saving for retirement, the better. For example, $100 a month invested in an account that yields 6% interest compounded monthly will increase to $100,451.50 in 30 years. Because interest rates and investment return vary over time in many types of accounts, it is advisable to diversify your approach. To estimate the amount you will earn in a fixed-rate, compound interest investment, consult the National Endowment for Financial Education Web site; go to www.nefe.org/pages/search.html and type in "compound interest."

- **Stay on top of your finances.** According to the 2005 Retirement Confidence Survey (RCS), 55% of workers believe they are behind schedule when it comes to planning and saving for retirement. To avoid that situation, monitor all savings and investments, both in your private accounts and your business (e.g., 401(k), pension) accounts. If you are 25 or over, you receive an annual statement from the federal government, listing the amount you can expect from Social Security at retirement, based on your current level of contribution; be sure to include that amount in your calculations. Total all gains to ascertain your progress. If the numbers are disappointing, consider adjusting your approach to better meet your projected needs. Bear in mind that, given the sometimes volatile nature of the American economy, some years are likely to be more lucrative than others.

- **Consider long-term needs.** Because Americans now live longer than ever before, they face unprecedented financial challenges. Not only must savings stretch to cover more years, they must be substantial enough to help pay the costs of medical care not currently covered by Medicare or standard supplemental policies. Long-term care insurance is a relatively new option that may provide some relief. Your financial adviser can suggest other alternatives.

- **Don't leave your future to chance.** The national savings rate is extremely low, having dropped to about 1% in the early years of this century. The 2005 Retirement Confidence Survey shows that nearly two-thirds of us expect to work for pay after we retire, whether for pleasure or necessary income. To ensure that you have a choice, put aside as much money as possible as soon as possible. Make sure you account for the impact of taxes and inflation. The younger you are when you start contributing, the more you will accumulate. You may want to consider seeking the help from a financial planner. Remember: inadequate savings can lead to financial crisis later in life.

Additional Resources:

Publications

- 2005 Retirement Confidence Survey, summary online at www.ebri.org/rcs/2005/index.htm
- 2002 SAVER Summit Final Report, online at www.asec.org/saversummit/2002summit/You First" Series for Baby Boomers, National Endowment for
- Financial Education booklets online at www.nefe.org/youfirst/Financial Articles, AARP materials online at www.aarp.org/financial/articles

Web sites

- American Savings Education Council (www.asec.org)
- U.S. Department of Employee Benefits Security Administration (www.dol.gov/ebsa/)
- The Motley Fool Retirement Planning (www.fool.com/Retirement/Retirement.htm)
- Kiplinger.com Planning Center (www.kiplinger.com/planning/retirement/)
- MONEY/CNN (www.money.cnn.com)
- Consumer Federation of America (www.consumerfed.org)

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