Zero in on your retirement income.

As you look forward to working less or perhaps not at all, you will need to make sure you'll have a predictable income stream for all of your years in retirement. Consider retirement account withdrawals, mutual fund automatic withdrawal plans or annuities that would guarantee a certain income for life.

Your retirement income depends largely on the investment decisions you make today. Remember, you may retire from full-time work, but your money still needs to work as hard as ever.

create a safety net for retirement

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It's Never Too Late to Save

Choose to save today!

You're not behind the 8-ball—you can choose to save today. *Any amount of savings at any time moves you closer to a comfortable retirement.*

It's true that many of us have to save a lot of money for retirement. But with careful planning, it ***can*** *be done—even if retirement isn't far away! Keep a positive focus and be empowered by your new commitment to save.*

juggle your expenditures wisely

Set realistic goals.

First decide how much money you'll need to live the retirement lifestyle you want. With good health, your retirement could last 30 years or more. And, once in retirement you'll still have major responsibilities, such as medical and household expenses. If you can, lighten your load by paying off high-interest credit card bills and loans now.

It's a good idea to consult with a financial advisor to thoroughly map out your total assets, retirement living expenses, cash flow, rate of return on your investments, how much you need to save to cover expenses and taxes and how much capital you can afford to draw down every year. All these factors are influenced by inflation assumptions, your life expectancy, where you decide to live, how you'll spend your time—and (if you have a 401(k) or other defined contribution plan) which payout option you select. For the "do-it-yourselfers" out there, there are many resources available to help you in the public library and on the Internet. Start by visiting www.choosetosave.org.

Consider all possible resources.

You may have more bases covered than you think. Although Social Security will fund only a portion of your retirement, it still counts as income. You may also receive benefits from a traditional defined benefit pension plan. Add in money you've saved in a 401(k), an individual retirement account (IRA) or other savings vehicles, as well as any expected inheritance or family resources.

Don't forget the equity you've built in your home—you could move to a less expensive area. If you do sell your home, you may be able to invest a substantial amount of your profit and increase your retirement income.

calculate how much you'll need for retirement

Close your savings gap.

There are many ways to close your savings gap, and the sooner you take advantage of them, the faster you'll save. The most obvious strategy is to save more and spend less. Contribute the maximum amount to your 401(k), and if you can afford it, contribute to an IRA as well.

Try to live a bit more frugally, because there's still time for even small amounts of money to grow with the power of compound interest. For example, $5,000 invested today in a savings vehicle earning a 5 percent rate of return compounded monthly would grow to $10,569 in 15 years. Not bad!

Consider a later retirement date or a second career. Pursuing a new line of work or fulfilling an entrepreneurial dream on even a part-time basis could boost your retirement income.

jump the hurdles to a comfortable retirement

Play a smart game of catch-up.

You're not the only one who has delayed saving. Millions of Americans are in your shoes. Fortunately, the tax law passed by Congress in 2001 provides new incentives and opportunities for you to increase your retirement savings, specifically:

- You can put more money into an IRA each year. The limit increased from $2,000 a year per person to $3,000 for 2002–2004, $4,000 for 2005–2007, and $5,000 for 2008. The limit will be indexed for inflation thereafter.
- You may be able to contribute more each year to your defined contribution plan (such as 401(k), 403(b), and 457 plans). The legal limit for employee pre-tax contributions increased to $11,000 a year in 2002 (up from $10,500), $12,000 in 2003, $13,000 in 2004, $14,000 in 2005 and $15,000 in 2006. Individual retirement plans may set a lower limit, so ask your employer!
- If your employer allows it, workers age 50 and over can make an extra "catch-up" contribution each year to their defined contribution plan. Again, ask your employer!