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MONEY WI$E
VALUING PEOPLE. VALUING MONEY.
MANAGING IN TOUGH TIMES INITIATIVE

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THIS MONTH'S TOPIC:

YOU CAN'T AFFORD TO WAIT – SAVE FOR RETIREMENT NOW

Most American workers aren't saving enough for retirement, according to a 2018 report by the Stanford Center on Longevity. The report studied savings rates that would allow for full retirement at age 65 for those who plan to continue their current standard of living.

Depending on what age you begin to save, you should put between 10 percent and 20 percent of your total income into retirement accounts. The report estimated that actual contribution rates are actually between 6 percent and 10 percent.

If you plan to retire at age 65 and you start saving at age 25, you need to set aside 10 percent to 17 percent of your income, according to the Stanford report. If you don't start saving until age 35, that number should increase to 15 percent to 20 percent of your income, the report added. If you aren't saving enough, you will either have to work longer or lower your standard of living in retirement.

There are several ways to save for retirement. If your employer offers a 401(k) plan, you may be able to directly deposit money from your paycheck. Automating the process makes it easier to save. Some employers will even match funds, adding money on your behalf. A match can help you meet that 10 percent to 20 percent savings goal!

Find out how long it takes you to become "vested." If you leave the job before that date, you may lose the employer contributions. It's something to think about when considering a new job.

If your employer doesn't offer a 401(k), you can still put money into an Individual Retirement Account (IRA). Both traditional and Roth IRAs offer tax advantages. Traditional IRAs are typically funded with pre-tax dollars. Earnings are not taxed until retirement, then withdrawals are taxed as income. Contributions to a Roth IRA are made with money that has already been taxed, but earnings and withdrawals are not taxed. These accounts have different rules for eligibility and accessing funds.

You can open these accounts online by yourself through a brokerage firm, or you can hire an investment adviser. Either way, make sure you know all the fees involved — for the account, the funds you choose to invest in, and for the services of any professional helping you.

For more information on retirement and other savings, visit http://kentuckysaves.org/. Kentucky Saves participates in America Saves Week from Feb. 24 to 29, 2020. During the last week of February each year, partners across the country join together to share tools and resources to inspire individuals and families to save successfully and achieve better financial stability.

Once you get your retirement savings started, make sure you revisit your account at least once a year. Increase the amount you put in as much as you can. Increasing just 1 percent per year will help nudge you to a higher goal. Also consider increasing your retirement contribution anytime you receive a raise.

References:

Vernon, S., Harrati, A., Streeter, J. "Are Americans Saving Enough for an Adequate Retirement?" Stanford Center on Longevity In-Depth Report. 2018. (Retrieved Jan. 10, 2020) http://longevity.stanford.edu/sightlines-financial-security-special-report-mobile/

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