



Add \$100,000 to Your Retirement Savings

Determining exactly how much you need to save for retirement can be complicated. To do the perfect calculation, you need to know your level of expenses during retirement, your future tax rates, the future returns on your assets and ultimately how long you are going to live. With all these uncertainties, the thought of doing the calculation can be daunting. The net result is often that individuals do not perform the calculation and they do not take any action to prepare for retirement.

Even without an exact calculation, it is probably safe to assume that you want to accumulate more funds now so you can enjoy the type of retirement lifestyle you want. Here is one simple idea that may give you some motivation to do something you know you should be doing - saving more. The numbers are not too complicated.

Let's assume you want to have an additional \$100,000 accumulated when you retire at age 65. The question becomes "how much do you have to save between now and age 65 to reach that goal?" The only variables are how old you are now and what will you earn on the funds between now and age 65.

Monthly Savings Needed to Accumulate an Additional \$100,000 for Retirement

Current age (years to retirement)	Earning 4%	Earning 6%	Earning 8%	Earning 10%
25 (40 years)	\$85	\$50	\$29	\$16
30 (35 years)	\$109	\$70	\$44	\$26
35 (30 years)	\$144	\$100	\$67	\$44
40 (25 years)	\$194	\$144	\$105	\$75
45 (20 years)	\$273	\$216	\$170	\$132
50 (15 years)	\$406	\$344	\$289	\$241
55 (10 years)	\$679	\$610	\$547	\$488
60 (5 years)	\$1508	\$1433	\$1361	\$1291

Simple Conclusions

- Saving more is better than saving less.
- Starting earlier is better than starting later.
- Earning more is better than earning less.

There is probably little you can do to ensure you will earn higher rates on your funds. However, you can control when you start and how much you save.

Start Saving Now

The easiest place to start is with some type of automatic savings program.

- If you participate in your employer's 401(k) plan, simply increase your monthly deferral if you can. You reduce your current taxable income by the amount of the deferral and the funds accumulate on a tax deferred basis.

- If you are already contributing the maximum to a 401(k) plan, establish an IRA or Roth IRA. Anyone with earned income can contribute to a regular IRA, but the deduction may not be available depending on your income level and other retirement plan participation. Roth IRAs have income restrictions. In either case, the funds still accumulate on a tax deferred basis.
- Establish an automatic savings plan with monthly transfers into a savings account from your paycheck or from your checking account. There are no tax benefits, but you will be accumulating funds toward your goal.

Someone once said, "Don't make the good the enemy of the perfect." In the case of retirement planning, doing an extensive review of your needs and taking a series of actions might be perfect. But saving more would be good. By starting an increased savings plan now, your retirement lifestyle may not be perfect, but it will be better.