

# **TOP 10 WAYS**

## ***To Prepare For Retirement***

**Financial security in retirement doesn't just happen ...**

**It takes planning, commitment, and yes, money.**

### **1. Start Saving, Keep Saving, and Stick to Your Goals**

If you are already saving, whether for retirement or another goal, keep going! You know that saving is a rewarding habit. If you're not saving, it's time to get started. Start small if you have to and try to increase the amount you save each month. The sooner you start saving, the more time your money has to grow (see the chart on the page 3). Make saving for retirement a priority. Devise a plan, stick to it, and set goals. Remember, it's never too early or too late to start saving.

### **2. Know Your Retirement Needs**

Retirement is expensive. Experts estimate that you'll need about 70 percent of your pre-retirement income—lower earners, 90 percent or more—to maintain your standard of living when you stop working. Take charge of your financial future. The key to a secure retirement is to plan ahead.

You can start by reading these publications from the U.S. Department of Labor: *Savings Fitness: A Guide to Your Money and Your Financial Future*, and for those near retirement, *Taking the Mystery out of Retirement Planning*. (See the reference on page 2 of this article.)

### **3. Contribute to Your Employer's Retirement Savings Plan**

If your employer offers a retirement savings plan, such as a 401(k) plan, sign up and contribute all you can. Your taxes will be lower, your company may kick in more, and automatic deductions make it easy. Over time, compound interest and tax deferrals make a big difference in the amount you will accumulate. Find out about your plan. For example, how much would you need to contribute to get the full employer contribution and how long would you need to stay in the plan to get that money.

### **4. Learn about Your Employer's Pension or Plan**

If your employer has a traditional pension plan, check to see if you are covered by the plan and understand how it works. Ask for an individual benefit statement to see what your benefit is worth. Before you change jobs, find out what will happen to your pension benefit. Learn what benefits you may have from a previous employer. Find out if you will be entitled to benefits from your spouse's plan.

More information is available by reading the U.S. Department of Labor's publication about protecting your pension: *What You Should Know About Your Retirement Plan*. (See the reference on page 2 of this article.)

### **5. Consider Basic Investment Principles**

How you save can be as important as how much you save. Inflation and the types of investments you make play important roles in how much you'll have saved at retirement. Know how your savings or pension plan is invested. Learn about your plan's investment options and ask questions.

Put your savings in different types of investments. By diversifying this way, you are more likely to reduce risk and improve return. Your investment mix may change over time depending on a number of factors such as your age, goals, and financial circumstances. Financial security and knowledge go hand in hand.

## **6. Don't Touch Your Retirement Savings**

If you withdraw your retirement savings now, you'll lose principal and interest, and you may lose tax benefits or have to pay withdrawal penalties. If you change jobs, leave your savings invested in your current retirement plan, or roll them over to an IRA or your new employer's plan.

## **7. Ask Your Employer to Start a Plan**

If your employer doesn't offer a retirement plan, suggest that it start one. There are a number of retirement savings plan options available. Your employer may be able to set up a simplified plan that can help both you and your employer.

For more information, read the publication that is available from the U.S. Department of Labor: *Choosing a Retirement Solution for Your Small Business* (See the reference on page 2 of this article.)

## **8. Put Your Money into an Individual Retirement Account**

For 2014, the maximum you can contribute to an Individual Retirement Account (IRA) is \$5,500 (\$6,500 if you're age 50 or older). You can also start with much less. IRAs may also provide tax advantages. Visit the Internal Revenue Service's website at [www.irs.gov/Retirement-Plans](http://www.irs.gov/Retirement-Plans), and click on IRAs, listed under the Topics for Retirement Plans on the left hand side of the page.

When you open an IRA, you have two options—a Traditional IRA or a Roth IRA. The tax treatment of your contributions and withdrawals will depend on which option you select. Also, the after-tax value of your withdrawal will depend on inflation and the type of IRA you choose. IRAs can provide an easy way to save. You can set it up so that an amount is automatically deducted from your checking or savings account and deposited in the IRA. Find out more information online at:

<http://www.irs.gov/publications/p590/index.html>.

## **9. Find out about Your Social Security Benefits**

Social Security pays benefits that are on average equal to about 40 percent of what you earned before retirement. You may be able to estimate your benefit by using the retirement estimator on the Social Security Administration's website at [www.socialsecurity.gov](http://www.socialsecurity.gov). For more information, visit their website or call 1-800-772-1213.

## **10. Ask Questions**

While these tips are meant to point you in the right direction, you'll need more information. Read the publications from the U.S. Department of Labor listed in these tips.\* Talk to your employer, your bank, your union, or a financial advisor. Ask questions and make sure you understand the answers. Get practical advice and act now.

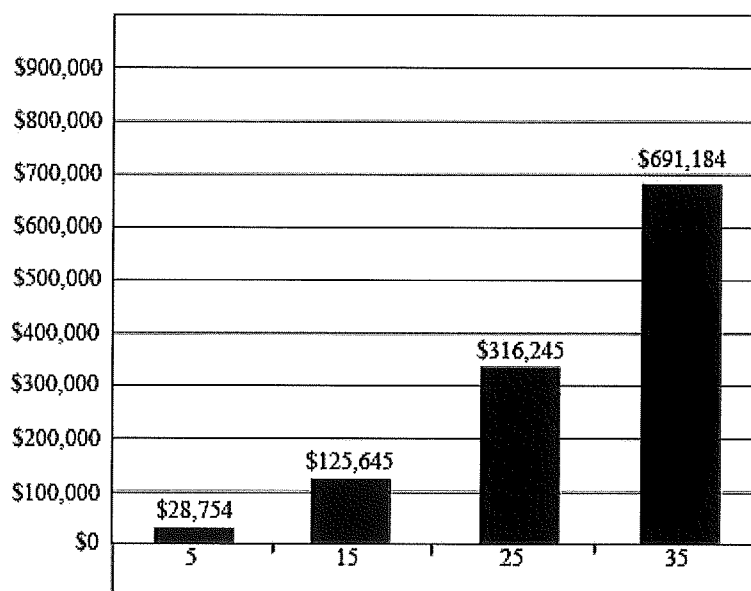
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\*Reference for the publications listed in this article is: [http://www.dol.gov/ebsa/publications/10\\_ways\\_to\\_prepare.html](http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html). They are listed at the end of the article by the U.S. Department of Labor and Employee Benefits Security Administration titled: *Top 10 Ways To Prepare For Retirement*.

Instead of going online, you can get any Employee Benefits Security Administration publication listed here by calling the U.S. Department of Labor at 1-866-444-3272. There is no charge. (Note that IRS Publication 590 about IRAs comes from the IRS, not EBSA.)

## The Advantage of Starting Early

Start now! This chart shows what you would accumulate after 5, 15, 25, and 35 years if you saved \$5,000 each year, and your money earned 7% annually.\*



## Quick Facts

**FACT 1:** Fewer than half of Americans have calculated how much they need to save for retirement.

**FACT 2:** In 2012, 30 percent of those who had 401(k) coverage available didn't participate.

**FACT 3:** The average American spends 20 years in retirement.

**Putting money away for retirement is a habit we can all live with.**

**Remember ... saving matters!**

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\*2014 IRA Contribution and Deduction Limits can be found online at: <http://www.irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics-IRA-Contribution-Limits> and <http://www.irs.gov/Retirement-Plans/IRA-Deduction-Limits>.

Reference: This entire article, including the figures on the chart and the Quick Facts, is based upon the U.S. Department of Labor's article titled: *Top 10 Ways To Prepare For Retirement*, written in 2007, and Revised in 2012. It can be found at: [http://www.dol.gov/ebsa/publications/10\\_ways\\_to\\_prepare.html](http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html).