Thursday, 13 October 2011 12:40

FEATURED

Tips every individual planning for retirement should know to save more

Featured

Written by Henderson Press

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Tips every individual planning for retirement should know to save more.

For those about to retire and those already in retirement in the Henderson area, throughout Nevada and across the country, National Save for Retirement Week, which is Oct. 16-22,

provides an excellent opportunity to reflect on their current financial planning practices and discover new and better ways to put money away for their golden years.

Here in the Valley, economic conditions have been worse than many other places in the United States, due to extended unemployment, sinking housing prices and extremely slow business growth, making it an ongoing struggle to save for retirement and in some cases, stay retired. While these factors certainly make it difficult for area residents to get ahead, this congressional week can serve as an annual reminder to refocus on your financial futures by saving more and spending less.

Retirement planning is something many people take for granted, because they feel the need to concentrate more on short-term financial goals. They figure retirement is still a long way down the road and feel they can address it at later. Regardless of past financial decisions, several steps can be taken now for those approaching retirement or already retired.

Working Years

Determine your desired retirement date and cost. First, take a look at when you hope to retire and how long you anticipate being retired. A safe estimate is 20-30 years. People are living longer, and their money will have to last longer, too. When estimating the cost of retiring, a good rule of thumb is to anticipate having approximately 70 percent of your preretirement income to maintain your current standard of living, once you stop working. Don't forget to factor in inflation and the potential for tax increases.

Revisit your 401(k) and/or IRA. Hopefully, if you experienced significant loss to your retirement accounts in 2008 and were quickly approaching retirement years, you reallocated your savings to more risk-appropriate options.

If not, and you're going this alone, you may want to speak to a qualified adviser about other alternatives to catch up on your retirement savings, whether by recouping some loss or reallocating, so that you can preserve your current savings for retirement.

If you have working years left and have a 401(k) plan, continue to contribute the same amount every paycheck. You may end up buying more shares in your retirement account at lower prices. If you are 50 or older and are falling short, take advantage of a catch-up contribution in your retirement plan. This provision allows anyone 50 years or older to contribute $1,000 extra into an IRA, while 401(k)s will depend on your plan, income and age, so check with your financial adviser or plan administrator to determine those specifics.

Make your retirement savings automatic and leave it alone. Put your retirement savings on autopilot. When you are within 10 years of retirement, you may need to revisit your account to adjust investment risk within. Also, try not to dip into your retirement savings prematurely. You'll not only lose principal but also any future earnings, as well as incur expensive taxes and fees.

The Golden Years

Invest based on your risk tolerance. As a result of the last recession and recent market volatility, many people lost money in investments that they needed to access to support their lifestyle in retirement; they did not invest according to their risk tolerance.

A general rule of thumb is the Rule of 100. Simply stated, take your age and subtract it from 100. The result is the percentage that you could have exposed to higher risk investments, and the remainder should be placed in more conservative accounts. While it's not an exact science, at least it's a place to start.

Establish an income plan. Your retirement income could come from these major sources: your regular savings, pension and a 401(k) or other retirement savings plan. Defining what sources you have is the first step toward establishing an income plan.

Then, determine what you need immediately for monthly income, and what accounts you could potentially delay withdrawing from, allowing the account value to continue to grow. Oftentimes, people will chose to "stack" their income sources, depleting one before accessing the next. A qualified adviser can help you determine what would make the most sense for your particular situation.

Consider Social Security a benefit, not a retirement plan. Social Security is considered a "supplement" to your retirement income and should be treated that way. If you start taking your benefits as soon as possible, at age 62, you could be depriving yourself of 25 to 30 percent more money than you could be earning if you wait until your full retirement age, which is between 65 and 67 years old. Using a free online calculator from the American Association of Retired Persons can help you project how much your monthly benefit will be and enable you to do a better job of planning ahead.

No matter where you are in life, knowing the right steps to take ahead of time can aid you in reaching your long-term retirement goals. Whether you are still working or currently retired, financial planning is something that should be taken seriously and addressed regularly to ensure you have enough savings to last your lifetime.

If you have any questions or concerns about your current retirement plan or want to know what options are available, do not hesitate to seek professional advice. Your future financial security is counting on you to make the right choices today.

Guest columnist Bradley Zucker is a financial educator and the president and chief financial adviser of Safe Money Advisors Inc. a Henderson-based independent financial advisory firm specializing in comprehensive financial and retirement planning, including conservation of capital, preservation of principal and tax-advantageous distribution of a life-saving and competitive asset growth with little or no downside risk. For more information, please visit SafeMoneyAdvisorsNV.com.