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Through The Years: Tips On Saving for Retirement At *Any* Age

Given the current stock market conditions and your probable investment losses, you may be wondering if investing in your 401(k) is still a smart decision. And given the state of the economy, it may be getting increasingly difficult to simply cover daily living expenses, let alone continue to save for retirement. Yet most experts agree that **a disciplined, consistent approach is the best way to rebuild your retirement savings** and improve your chances of reaching your goals.

While younger investors have much more time to recover their losses, **it's still possible for older investors to salvage their savings.** Here are some tips on how to **take back control of your retirement strategy** regardless of your age.

A disciplined, consistent approach is the best way to rebuild your retirement savings.

In Your **20s**

It may seem crazy to be thinking about saving for retirement just as you're entering the workforce and the market has taken such a hit. But in actuality, **now is the best time to develop savings strategies and financial habits** that will serve you well later in life.

Time is on your side. With the power of compounded interest, **any investment you make now – no matter how small – has the potential to grow exponentially** over the next 40 years and weather the inevitable ups and downs of the market. But new expenses like student loans, rent and credit card debt can make it difficult to set aside money for retirement.

WHAT YOU CAN DO

1 **Take advantage of your company's 401(k).** One of the benefits of your company's 401(k) plan is **automatic payroll deduction**. Money is deducted automatically from your paycheck and moved into your retirement savings account – before you're tempted to spend it.

2 **Prepare for the unexpected.** Things can change quickly. A job loss or unplanned car repairs can put you in a cash crunch. For those types of unexpected events, consider building an emergency savings fund to cover **3-6 months of living expenses.**

3 **Stay focused on your goals.** It's easy to get sidetracked. A night out with friends, a vacation… not to mention marriage, children or the purchase of a first home – and you can find yourself losing sight of your goals. It's important to remember that the **contributions you set aside now can make a big difference over time.** The longer you let your money grow, the bigger your savings can become.

In Your **30s**

By the time you've reached your thirties, you probably know the basics of money management and saving for retirement. Yet recent losses in your 401(k) account may have you wondering if you'll be able to reach your retirement goals. **The good news is that time is on your side.**

With up to 35 years until retirement, you have plenty of time to make up for recent losses and still build a substantial nest egg. **The key is to continue saving.** Most experts agree that the current market downturn presents an opportunity for investors to buy into the stock market at bargain prices.

WHAT YOU CAN DO

1 **Set goals. Set monthly savings goals** so you're able to cover monthly living expenses, handle major life events (through a six-month emergency fund) and still save for retirement.

2 **Pay off non-mortgage debt.** Nothing frees up cash to increase your retirement savings like getting rid of debt. **Pay off your credit cards and other non-mortgage debt**, such as auto loans, and put those extra monthly payments to work in your 401(k).

3 **Increase your contributions.** As you advance in your career, your income may grow as well. Although you've likely added new expenses like a mortgage or saving for a child's college education, **a bigger salary provides more opportunities to increase your 401(k) contributions.** Consider increasing the amount you set aside from each paycheck every time you get a raise or bonus.

In Your **40s**

If you started saving for retirement early in your career, you may have been well on your way to building your nest egg before the recent market plunge. While it'll take some extra work to rebuild your savings, you still have plenty of time – 20 or more years – to do so.

You may need to re-prioritize some of your finances. So even though you may want to pay for your children's college educations, make sure it's not at the expense of your own future. **Many experts recommend letting your kids take on student loans rather than using your retirement savings to pay their tuitions.** They'll have much more time to repay that debt and save for retirement on their own.

WHAT YOU CAN DO

1 **Increase savings.** As some expenses such as daycare or auto loans end, **consider putting that extra money into your retirement plan.** Do the same for any work-related bonuses or pay increases.

2 **Eliminate debt.** If you haven't already, consider developing a plan to **pay off all outstanding consumer debts** such as credit cards and auto loans. Determine if and when you plan to pay off your mortgage. With current mortgage rates near an all-time low, you may want to **consider refinancing to a shorter term,** which could save thousands of dollars in interest.

3 **Use retirement savings for retirement only.** It may be tempting to tap into your 401(k) when times get tough. But when you consider the possible monetary penalties as well as the loss of future growth, **borrowing against or withdrawing from your retirement savings could prove costly.**

In Your **50s**

One step forward, two steps back. That's probably how you're feeling after the recent losses in your 401(k) account. And although time is running short to rebuild a sufficient retirement account, it may be **easier to do this while your salary is beginning to peak** and you have more money at your disposal.

By now, most of your major monthly expenses may be behind you, and it's possible that you've paid off your mortgage. But with retirement on the horizon, **you may need to redirect a bigger portion of your discretionary income into your retirement account.**

WHAT YOU CAN DO

1 **Maximize your retirement savings.** **Take advantage of 401(k) "catch-up" contributions,** which allow individuals over 50 to save an additional $5,500 of pre-tax money each year.* Adding new contributions to your account can help to rebuild your retirement savings.

2 **Minimize your tax obligations.** **Contributing to your 401(k) plan may lower your tax bill** in the current year, which is especially important now that you're in your peak earning years. It also allows you to **defer those taxes until retirement, when you'll likely be in a lower tax bracket**.

3 **Create a budget for retirement.** You may need **75-90 percent of your pre-retirement income** to enjoy a similar lifestyle. Examine your financial needs and determine what your monthly expenses will be. Then **use a planning calculator** – like the one on your Participant Web site – to figure out how large a nest egg you'll need to cover those expenses.

**Based on 2009 IRS contribution limits.*

"Catch-up" contributions allow individuals over 50 to save an additional $5,500 of pre-tax money each year.

In Your **60s**

While recent market losses may seem insurmountable with such a short amount of time left before retirement, **don't give up on your financial goals.**

By the time you've reached 60 you're likely to be debt free, mortgage free and at the peak of your earning years. The combination of increased earnings and fewer expenses can give you more disposable income, making it easier to **contribute the maximum amount to your 401(k) account** and make up some lost ground.

WHAT YOU CAN DO

1. **Examine your retirement needs.** Now, while you're still earning, can be a good time to increase your contributions to your retirement plan. Be sure to **take advantage of 401(k) "catch-up" contributions**, which allow individuals over 50 to **save an additional $5,500 of pre-tax money** each year.*

2. **Adjust your portfolio.** As retirement nears, you have much less time to make up investment losses. While most experts agree that you still need some exposure to stock in order to continue to build your savings, you may want to **move a significant portion of your account into less risky investments** such as bonds and stable value funds. Your financial advisor can help you determine the mix of investments that are right for you.

3. **Set a retirement date.** If the recession has taken a toll on your finances and retirement savings, you may want to **consider delaying retirement until your situation improves.** Consider a retirement age between 66 and 70, instead of between 62 and 65. An extra couple of years on the job can go a long way in helping to restore your portfolio balance.

**Based on 2009 IRS contribution limits.*

MAXIMIZE Life's Milestones

It's possible to enjoy life and save for retirement at the same time. Just make sure that you're taking the proper steps to **align your financial priorities with your stage in life** as you journey toward retirement. The most important thing to remember is that the most **successful retirees made savings a long-term part of their pre-retirement lives** and started saving early!

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