Is Your Retirement Highway in Need of Some Roadwork?

Somewhere along your road to retirement, you should pull to the side and look at your “map.” Will your road to retirement be a smooth one or filled with potholes? How far down the road is your retirement and have you packed enough financial resources to last the journey? Regardless of your current location, it’s important to recognize that the road to retirement is constantly changing. In fact, the financial bags you’ve packed may only take you so far.

Setting Your Course

Clearly, a significant number of boomers are worried they are not saving enough for retirement. For this reason, many are taking the time *now* to develop a well-organized plan—that is, a “road map” for retirement.

So, what does such a map look like and how can it help you chart a smooth course down the road to retirement? Try using these five sign posts as your guide:

1. **Determine your retirement needs and resources.** Today, people are living longer and longer. Consequently, your strategy should aim to provide you with an income stream, indexed for inflation, that lasts anywhere from thirty to forty years. Bear in mind that even a four percent annualized rate of inflation will cause the cost of goods and services to triple in about twenty-nine years. With this in mind, compare how much income you receive *now* with the amount you will need *during retirement*.

   Once you’ve established those parameters, you’ll need resources to provide you with the required income stream. What resources do you have? How much have you saved? As you review your financial program, you may find a gap between what you have saved to date and your retirement needs. How will you fill this gap?

2. **Don’t count on Social Security and a pension alone.** In the past, Social Security and a pension have been significant sources for retirement income. However, the days of “living off” a pension or Social Security have passed. In fact, the Social Security Administration (SSA) has reported that only 23 percent of retirement income is derived from Social Security and 21 percent from pensions. If you depend on Social Security or your pension alone, you may find your income insufficient to meet your financial needs in retirement. The result may be a significant *gap* in your retirement savings program.

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3. **Increase your personal savings.** One way to start filling the gap is to increase your savings. Consider adjusting your budget to provide cash for a savings program that is suitable for you.

4. **Don't short-change your company plan.** If your employer sponsors a retirement program, you should consider contributing the maximum amount. This can help you take advantage of pre-tax contributions and accumulations on a tax-deferred basis. In addition, many employers *match* employee contributions—usually up to a percentage maximum. For example, suppose you contribute three percent of your income to your 401(k), and your employer matches up to three percent of your contribution, dollar-for-dollar. Consequently, your account receives double the amount you actually contributed—hence, the gap narrows even more.

5. **Use personal tax-advantaged alternatives.** Individual Retirement Arrangements (IRA) allow you to save on a tax-deferred basis. In addition, cash values of a life insurance policy and annuities may also provide tax-deferred opportunities.

You're in the Driver's Seat

Wherever you are on your road to retirement, pause for a moment to review your strategy. Hopefully, when you reach your destination, you will have already filled any gaps in your savings and secured your financial future.

* *Boomers Look Toward Retirement* by Roper Starch Worldwide, 1998.

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