CONSERVATIVE
FINANCIAL SOLUTIONS

Maximizing Your Saving Power for Retirement

Saving for retirement can be a complicated and daunting task. However, there are ways to make saving simpler, while maximizing your benefits.

I'm often asked two questions from our clients when it comes to saving and investing for retirement. They are, "When should I start?" and "How should I invest the money I save?" The answer to "When" is NOW! There's no better time than today to start saving and taking advantage of investing. You aren't getting any younger than you are today. I have met with too many individuals that have said they would start saving someday and before they knew it, that someday is here. Now they don't have sufficient funds for retirement. The answer to "How" isn't that simple.

There are countless rules and strategies when it comes to planning for retirement, but in answering my client's initial question on "How", I recommend if available to invest in their Employer Sponsored Retirement Savings Plans. Many of our clients are fortunate enough to work for a company that offers such plans. The most common types of these savings plans are a 401(k), 403(b), Thrift Savings Plan, or SIMPLE IRA. The beauty of these investment plans is that employers will oftentimes offer their employees a matching percentage of their income as long as they contribute to this plan.

"There's no better time than today to start saving and taking advantage of investing." *— Roger Ford*

Although each individual case is different, I typically recommend that a client start out by contributing enough money to get their employer's full match. If an employer offers a 3% match then the employee should contribute 3% to the sponsored plan. Each employer may offer a variation of choices to contribute and the employee should find out exactly what is offered under their plan. Simply stated, I tell clients, "I don't want you missing out on free money, and that is what your employer is giving you in the form of a match."

Putting money into your employer sponsored plan to get the full company match may not be enough money to retire on, and for some clients an employer sponsored plan isn't even available. So once clients are contributing enough to get the full company match (or if an Employer plan doesn't exist), I oftentimes recommend they work towards fully funding a Roth IRA. Currently the maximum amount one can contribute to a Roth IRA is $5,500 or if you are over age 50 the amount is $6,500. Fully funding a Roth isn't always something that is achievable right away. For married couples, the recommendation is for each of them to fully fund their Roth IRAs, or invest what they can starting off with a goal of fully funding their Roth IRAs when it is feasible for their budget.

Roth IRAs are a great tool for retirement savings because they grow tax free. However, unlike a traditional IRA, you cannot deduct your contributions to the account. Some may see this as a negative, but it is not. With a Roth IRA, by paying the tax on your contribution up front, you get tax free growth, and ultimately tax free income. Someone who takes advantage of contributing to a Roth IRA is generally going to end up paying less in taxes over the long haul than someone who took their deductions upfront by choosing to use a traditional IRA. This is why you might want to consider a Roth IRA as the second vehicle for retirement savings.

As I mentioned, there are countless rules and strategies when it comes to employer sponsored plans and IRAs. Planning for retirement is a complicated and daunting task, and to help avoid costly investing errors and financial penalties, I encourage everyone to seek the help of a professional to work with them in pursuing their financial goals for retirement. Start saving TODAY. If you wait until you are ready, you'll never start, so start NOW! There's no better time to do so.

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