

## It Doesn't Pay to Wait... Start Early, Save Often

As a Wealth Advisor, I often get asked about how much someone should be saving for retirement. An appropriate saving rate is vital when it comes to achieving any long-term financial goal. The answer to how much someone should be saving depends on a variety of factors, but it goes without saying, the best answer is to start early and save often.

When an individual, age 25, starts saving to retire at the age of 65, a savings rate of 10 to 13 percent of their gross pay may be sufficient. However, by waiting until the age of 35 to start saving for retirement, this percentage almost doubles, potentially requiring a savings rate closer to 20 percent. As a person ages, and the longer they wait to start saving, the percentage rate only continues to increase.

To determine if you are saving enough for retirement, one must consider the amount you are saving individually and then include any employer match. For example, if you are saving 6 percent of your gross pay into a 401(k) plan, and it is matched by an employer contribution of 4 percent, your savings rate would be 10 percent. Take caution when assuming that the savings in your 401(k) will be enough for retirement. If you waited to start saving for retirement until age 35, it is likely that it is going to take more than just your 401(k) to get your through retirement.

A widely accepted industry benchmark concludes that based on a retirement age of 65, you should



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have a nest egg between 16 to 20 times your annual gross pay. Yes, you read that right. If you are making \$80,000 a year gross, you should have between \$1,280,000 and \$1,600,000 saved for retirement by the time you turn age 65!

My best advice is this, when it comes to achieving a long-term financial goal, such as saving for retirement, it is vital to have a savings plan in place. Don't wait until tomorrow to get serious about saving for your retirement, start now and save often.

Dalton, Michael A., Joseph M. Gillice, James F. Dalton, and Thomas P. Langdon. Fundamentals of financial planning. 4th ed. Saint Rose, LA: Money Education, 2015. (p 90-94)

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