

Saving for Retirement

Although it may seem like a long way off, it's never too early to begin planning for your retirement. One thing you must take into account from the start is that money from [Social Security](http://www.socialsecurity.gov/) (<http://www.socialsecurity.gov/>) alone will not be enough to fully support your livelihood. Think of Social Security funds as a supplement, and for the average American it makes up about 40% of their total income upon retirement. What other ways can you create financial security for when your working days are done you ask? Well, here are two tried and true methods. Saving and investing. Sounds pretty general, but we'll break them down so that you may have a better understanding of what steps you can start taking now to prepare for a comfortable and secure retirement.

Saving your money in a bank is one of the most basic and traditional methods for saving, but the returns are small because of low [interest rates](http://www.money-rates.com/savings.htm) (<http://www.money-rates.com/savings.htm>). By all means, keep putting money into your savings account or open one if you haven't done so yet because over time the dividends will be much larger and that's what you want, to have more money readily available for when you retire. However, for greater returns on your savings you should consider a [401K plan](http://www.irs.gov/retirement/sponsor/article/0,,id=151800,00.html) (<http://www.irs.gov/retirement/sponsor/article/0,,id=151800,00.html>).

401Ks are designed to automatically take a portion of your weekly paycheck and deposit it into stocks you have chosen to invest in. Your employer will then match the amount you have used for investing by a certain percentage. Some employers match your distribution at a hundred percent, so not establishing a 401k would be like refusing free money, and you surely don't want to do that. Another perk to 401Ks is that the money in your account cannot be taxed as it is with an ordinary savings account. It's a beautiful thing because we all know there aren't many opportunities like this where you can actually keep Uncle Sam from dipping his hand into your pocket.

In addition to the investments made through your 401K you should diversify your earnings through other [stocks](http://www.abcstockinvesting.com/) (<http://www.abcstockinvesting.com/>) as well as [bonds](http://www.investinginbonds.com/) (<http://www.investinginbonds.com/>) and [CDs](http://guides.wsj.com/personal-finance/investing/how-to-invest-in-a-certificate-of-deposit-cd/) (<http://guides.wsj.com/personal-finance/investing/how-to-invest-in-a-certificate-of-deposit-cd/>). The rewards you will reap from bonds and CDs will take longer, but that's what makes them ideal investments for the future.

Sidebar 1

Review your work history to find out if any of the jobs you had over the years owe you money through [pensions](http://www.pbgc.gov/) (<http://www.pbgc.gov/>). Even if you worked a part time job at a supermarket while you were in college you may be entitled to extra cash when you retire.

Not all employers offer 401Ks, but don't let that stop you from creating another source of wealth for your retirement. [Individual Retirement Accounts \(IRA\)](http://www.irs.gov/retirement/sponsor/article/0,,id=151800,00.html)

(<http://investopedia.com/terms/i/ira.asp>) can serve as an alternate to the 401K and there are a number of different types (<http://www.investorguide.com/igu-article-685-different-types-of-iras.html>) you should consider based on benefits and your budget.

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Devise Retirement Strategies

Any good idea deserves an even better plan to make it work. When you're ready to start mapping out your strategy for retirement one of the first things you should do, besides your own research, is seek out advice. Advisors can help you come up with a game plan to better budget your money, manage your assets, and diversify your investments. You'll have to do some investigating to pick which advisor you'd like to work with, but here are a few you should take a look at just to test the waters: Retirement Advisors, (<http://www.retirementadvisors.com/>) Retirement Advisors of America, (<http://www.phhinvestments.com/>) Expert Retirement Planning, (<http://www.expertretirementplanning.com/>) and Retirement Planning Services (<http://www.smarterdollars.com/>)

There are also different types of books

(http://www.jacobusiness.net/templates/JCL_Booklist.aspx?id=717) and software available from companies like Torrid Technologies (http://www.torrid-tech.com/rp_main.html), EISI (<http://www.eisi.com/>), and USI Consulting Group (http://www.usicg.com/dc-401k-ret_software.asp) to help you learn more about planning for retirement and how to manage your current and future finances.

Side bar 2

Before you start investing or planning for retirement it's a good idea to view your credit report history. You can view your credit report for free online by visiting True Credit (<http://creditreport.truecredit.com/a-/tunion/?bn=24&loc=2204&kw=382&gacid=4266288151>), Free Credit Reports Instantly (<https://www.freecreditreportsinstantly.com/freecreditreport/lp/478-yt53/?sid=GUSA091>), or Free Credit Report.com (<http://www.freecreditreport.com/pm/default.aspx?PageTypeID=HomePage62&SiteVersionID=715&SiteID=100219&sc=669496&bcd=htBRfc1>)

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Will Social Security still be available when you Retire?

It's a scary thought, but you have to ask yourself what the status of Social Security will be by the time you retire. For over 70 years retirees have relied on Social Security; it has been one of the most successful government instituted programs in U.S. history

(<http://www.nysscpa.org/cpajournal/2006/506/infocus/p15.htm>), but the forecast for future retirees may not be as bright.

To put it bluntly, the [future of Social Security](http://www.newyorklife.com/nyl/v/index.jsp?vgnextoid=219cce42249d2210a2b3019d221024301cacRCRD) (<http://www.newyorklife.com/nyl/v/index.jsp?vgnextoid=219cce42249d2210a2b3019d221024301cacRCRD>) and the potential fall out could be disastrous. The problems have risen due to a number of factors that include: people living longer lives, increased medical costs, the imminent retirement of the baby boomer generation, and a smaller overall workforce due to a lower national birth rate. If a solution is not presented there will be a massive shortfall that will continue to grow over the next 30 to 75 years. The negative repercussions of a continued dwindling of Social Security could lead to more hardship for future generations by way of increased payroll taxes and loss of benefits.

The path of Social Security and the outcome it is leading to is neither pretty nor clear. There is much speculation on what will happen and on how dire things will actually be. It is certain, however, that at least some reform is needed and it's practically guaranteed to become a larger issue in near future. What this means for you is that things inevitably always change and that you can't just sit around waiting for them to happen. Social Security was designed as a means to supplement one's income. It may be supplementing even less by the time you retire, so planning on ways to secure your retirement is something you should be exploring...now.

Side bar 3

What will your Social Security look like when you retire?

If you are 37 in 2009, and provided that changes are not made to the current system, at age 65 in 2037 your scheduled benefits could be reduced by 24 percent and could continue to be reduced every year thereafter from presently scheduled levels. Try the Social Security [calculator](http://www.ssa.gov/planners/calculators.htm) (<http://www.ssa.gov/planners/calculators.htm>) to get an idea of what will be available for you when the time comes to collect.