



## Advice on Saving for Retirement

Saving for retirement can be difficult for anyone, as it takes years of dedication and discipline to follow a path that requires sacrificing desires of today for future gratification and security. Retiring has been made even harder as defined-benefit pension plans once more common 40 years ago are now rare in the private sector with few plans allowing for new participants. The onus for a successful retirement lies with the individual now more than ever.

The best advice is to start early. An individual in their mid-20s saving 10% of their income over a 40 year working career, coupled with expected Social Security benefits should equal 30 years of retirement income that should roughly match your pre-retirement net salary. These calculations estimate longevity into your 90s, invested in a 60% equity and 40% fixed income portfolio at retirement. For those not wanting to rely on Social Security, due to its potential short falls around 2040, saving closer to 15% will provide a similar level of income. Waiting just 10 years into your mid-30s to start saving for retirement would require almost double the amount set aside!

Do not be afraid to invest. Sadly, a growing number of individuals have used savings vehicles such as money market accounts as a primary investment vehicle for their retirement savings, locking in sub-par growth rates. If we use a conservative long-run estimate for stock returns of 6%, your money will double in roughly 12 years. In a money market earning half a percent, the money will double in roughly 139 years. Hiding behind the security of a money market fund while possessing an investment horizon of well over 20 years may doom a retirement plan. Stock investments early in life, while transitioning to an increasing fixed income allocation as an individual ages, is the best way to generate the highest return for the most reasonable amount of risk.

Cut out the unnecessary. Saving \$4 a day translates into \$1,460 a year or \$225,952 over a 40 year period earning 6%, improving the odds of a secure retirement.



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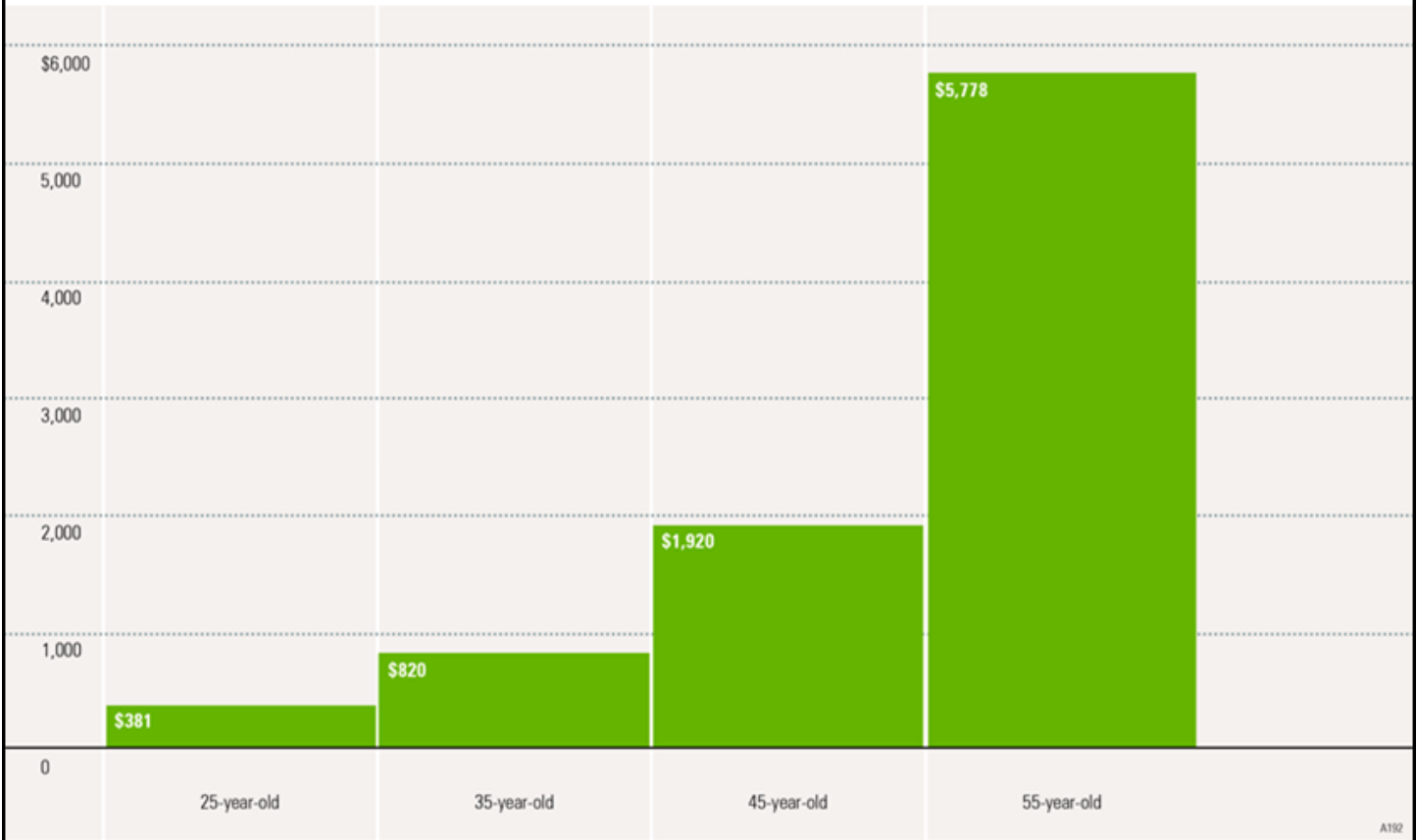
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### The Earlier You Start Investing, the Easier It Is to Reach Your Goals Monthly savings needed to accumulate \$1 million by age 65



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