Wise Choices

From daydreaming to taking action

Have you ever fantasized about inheriting a bundle of money or winning the lottery? Who hasn't? There's nothing wrong with daydreaming about getting rich quick—as long as you realize that those kinds of dreams are unlikely to come true.

That said, it is possible to reach your retirement goals, and there are several actions you can take to help maximize your retirement strategy.

Building blocks
Your employer's retirement plan is one of the keys to success. It's a convenient way to save and invest for the future. By making regular contributions and choosing investments that fit your needs, you can benefit from the combination of compounding and time. Compounding is what happens when you earn money on your savings, reinvest the earnings, and then earn money on your savings *and* your earnings. Increasing contributions from time to time throughout your career will help you benefit even more from compounding.

A solid lineup
Diversify your retirement assets* by having a mix of different types of investments. That way, if one investment or asset class loses value, another may deliver positive returns that can offset those losses or at least help make up for them.

Stay in the game
Saving continuously throughout your career may not be easy. There may be times when you're tempted to cut back on—or completely stop making—your plan contributions. Things like volatile market conditions and competing financial priorities can derail your best intentions. But don't give in. The best plan of action is to stay focused on achieving your goal by consistently and automatically contributing to your retirement plan account.

Sweet dreams
So go ahead and daydream about getting rich quick. Then get to work building the savings you'll need for your future retirement.

Time to pop the question

No, not the marriage question. A different question that can have a big impact on your future: "How much should you be contributing to your retirement plan?" The answer depends, in large part, on your answers to the following:

What will retirement look like?
If you envision a low-key retirement, you probably won't need as much savings as you will if you plan something grander. A retirement filled with travel, for example, can be costly. How much you need to save depends on the lifestyle you hope to have.

Where else will money come from?
The savings in your retirement plan will be one source of income after you retire. In addition, you'll likely receive monthly Social Security payments. To find out your projected monthly benefit amounts at various ages, check your latest Social Security statement. (If you don't have a recent paper copy, you can view your statement online at *www.socialsecurity.gov/myaccount*.) Pension benefits also provide a predictable stream of income, but not everyone is eligible.

You might be planning to supplement your income by working after you retire. Just keep in mind that health issues (yours or someone else's) could derail that plan. Set a savings goal that will provide enough income in case you're not able to work.

How long will it be until you retire?
A long time frame for saving may mean you can make smaller contributions than if retirement is close. Steady contributions invested over a long period can potentially grow into a significant amount.

Find an answer
Once you've estimated your income needs, you can set a target savings amount. You can also calculate how much you should be contributing each payday to meet your goal. Your plan may offer tools and calculators to help you set a goal and contribution amount, or you may want to see a professional advisor.

Your employer's retirement plan makes saving easier with automatic payroll deductions. And tax benefits can help you reach your retirement goal.

Sources of retirement income
(for those 65 and older)

Social Security	35%
Earnings	34%
Pensions	17%
Savings and investments	11%
Other	3%

Source: *Fast Facts and Figures About Social Security, 2014*, Social Security Administration

**Diversification does not ensure a profit or protect against loss in a declining market.*