Wise Choices

How to play catch up

Worried that you've fallen behind with your retirement savings? It's not too late to make up for lost time. Even if you have neglected retirement planning in the past, you can seize the moment and get your retirement savings in play again.

Start with an honest assessment of where you stand now. If you haven't set a retirement savings goal, take the time to do it. Estimate how much annual income you'll need to live on comfortably after you retire. Sources other than your savings, such as Social Security, may provide some of that income. Your goal is to build up enough savings to cover your remaining income needs for all the years you expect to be retired.

Next, look at how much you have already saved for retirement and try to estimate how much that balance might grow between now and your retirement. Then, focus on making up that difference.

It may require you to do without certain things now in order to put money away for your future. Try to maximize your plan contributions each year. If your plan allows catch-up contributions, consider making them once you're eligible. To learn more about how much you can contribute and what your investment options are, check the information your plan provides.

Three things you may not know about your tax-qualified retirement plan

Many plan participants may not fully understand all the advantages their employer-provided tax-qualified retirement plans provide. Here are three aspects of your retirement plan that may surprise you.

1. By law, the assets of a retirement plan are held in a trust (or invested in an insurance contract), separate and apart from the assets of the employer sponsoring the plan. Plan assets must be used solely to benefit plan participants and beneficiaries.
2. Your retirement plan assets are portable so that if you change jobs, you won't have to start over. You may have several options for your retirement savings, such as keeping the money in your current plan, moving your savings to another employer's retirement plan or an individual retirement account, or cashing out your plan assets.
3. You can change beneficiaries. If there's a major change in your life, you have the flexibility to add or subtract an individual or individuals from the list of beneficiaries who would receive the assets in your retirement account upon your death.

Employer-provided tax-qualified retirement plans also offer tax benefits, plus potentially professional investment management, and an automatic payroll contribution feature, all of which can simplify and streamline saving for retirement.

How America views retirement plans

U.S. households hold generally favorable impressions of 401(k) and similar "defined contribution" retirement plans. Among surveyed households with defined contribution plan accounts or individual retirement accounts:

91% agreed that their plans helped them think about the long term, not just their current needs
82% said the tax treatment of their retirement plans was a big incentive to contribute
86% had favorable opinions of their plans
83% were satisfied with their plan's investment options

This table is based on data compiled from *American Views on Defined Contribution Plan Saving, 2017*, Investment Company Institute, February 2018.

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