



Reality Check on Your Retirement Savings

Whether you're 23 or 35, it's important to know whether you are saving enough for your retirement. There is no time like the present to ensure you are allocating enough funds to your retirement account.

With folks routinely living into their 80s and 90s, it's more important than ever to ensure your money lasts your lifetime. Millennials have the advantage of time. You can benefit from compounding and the long-term trends that can make a real difference over the course of several decades.

A good savings target is 15% of your income. That's a very general target, and in many cases, it's too conservative. That can be a real challenge if you are also saving for a house and/or paying off student loans. The important point is to make a commitment to your retirement savings by contributing a consistent amount with each paycheck (or if you are self-employed, every invoice). The absolute percentage is secondary; more important is to set a goal and stick to it.

How will your lifestyle change? In retirement, you may no longer be drawing a salary, although many folks take up some form of self-employment that brings in an income. It's up to you whether earnings will be part of your retirement plan. If not, your retirement savings should be robust enough to supplement your Social Security without sacrificing your lifestyle. You can check your projected Social Security payments on the Social Security Administration's website.

Time may heal all wounds. Millennials may have unpleasant memories of the Great Recession and the family turmoil it could have caused. A conservative attitude toward risk isn't surprising given those circumstances, but sticking to overly conservative investments has its own risks, such as not keeping up with inflation. You have time to recover from the inevitable ups and downs of the markets, which means you might want to consider adding some aggressive investments to your retirement account.

Figure out how long your savings will last. To get a reasonably accurate figure, you should derive your annual "burn rate." That's the amount of savings you'll need to live on each year. You then see whether it will last for your estimated life expectancy, which you can check with any number of online calculators. If the answer is no, you'll have to increase the amount you save now and/or cut back on your retirement plans.

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