RETIREMENT PLANNING: SCARED OR PREPARED? Part 2

By Dale Guest

Last week we discussed some realities of retirement planning, and the need to develop a disciplined retirement savings strategy. In addition to setting realistic financial retirement goals, planning for the realities of increasing retirement expenses, and sticking to a regular contribution plan, here are some things you should keep in mind.

Avoid the habit of contributing to your retirement fund only if there happens to be any cash left over at month-end. Without fail, set aside a specific amount each month for retirement before paying other bills. Saving even a small amount regularly is much easier than trying to save it all at once.

Another tip: contribute as much as you can to any tax-deferred retirement plan offered by your employer. A 401(k) plan, for instance, lets you contribute pre-tax dollars and exclude any investment earnings from your yearly taxable income until you withdraw your money later at retirement. As an incentive for you to save, some employers match some or all of what you contribute, which can help build up your nest egg even more. Withdrawals prior to age 59 ½ are subject to a 10% penalty and income taxes.

Choosing the right investments isn't easy. Your portfolio will be shaped by several factors, including your age, time horizon, tax bracket, and risk tolerance. All investments are subject to varying degrees of risk, but one type of risk in particular -- inflation -- is often overlooked. Inflation erodes the value of your savings over time and takes its toll on most types of investments, including those, which are considered "safe," such as money-market funds.

Naturally, you want to be cautious with your retirement savings, but investing too conservatively can keep you from reaching your goals. Avoid putting all your eggs in one basket by diversifying or spreading your savings among several types of investments, such as stocks, bonds and money market accounts. Diversification may help moderate the risks inherent in investing, but diversification cannot eliminate the risk of investment losses.

If planning for your retirement seems like a daunting task, contact a qualified financial professional for help. He or she can help you devise a strategy to meet your goals and suggest the most appropriate investments for your retirement portfolio.

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