YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Five Smart Reasons to Keep Saving for Retirement

Juggling your personal finances can be a challenging task. There are mortgages and other regular monthly bills to pay, children to raise and educate, and "rainy day" funds to maintain for household and other emergencies. At times, even the best-organized budgets may become strained -- and yes, you may be tempted to cut down or even stop contributing to your employer-sponsored retirement plan. But think carefully before you act. Your retirement plan is one of the easiest -- and potentially most profitable -- ways to reach your retirement savings goal.

Here are five "smart" reminders of the power of your plan.

#1: The Tax Advantages

When you save on a pretax basis, your retirement savings plan offers two strong tax incentives: Your contributions are based on your pretax pay, which means every dollar you put into the plan reduces your current taxable income. In addition, your contributions (and investment earnings) grow and are reinvested, generating more tax deferred earnings. Over time, this process (called compounding) can accelerate the growth potential of your original investment. If you stop contributing to your plan you may limit its full growth potential.

#2: Retirement May Last 20 Years or Longer

Healthier lifestyles and medical advances are extending life expectancies -- and retirement income requirements. Experts have long suggested that individuals generally need 70% to 80% of their preretirement income in retirement. Yet, at best, these are estimates based on generalities. The fact is that expenses won't necessarily decline in retirement -- they may just shift. For example, mortgage payments and college tuition may be ancient history, but spending on health care and leisure is likely to rise. In addition, other unforeseen expenses may arise such as caring for a sick relative or helping to fund a grandchild's education.

#3: The (Potential) Employer Match

You don't want to miss out on the opportunity to reap extra "free" savings in employer-matched contributions. Not all employers provide matching contributions, and such contributions may be subject to vesting periods and other rules. But if your employer does offer a match, make sure you contribute enough to take full advantage of this added bonus.

#4: The Uncertain Future of Social Security

The continuing debate about the future of Social Security leaves many of us wondering what role it will play in our own retirements.

Currently there are two trends working against one another that may put a tremendous burden on the Social Security system in the years to come.

- First, today there are roughly three workers contributing to the Social Security system for every beneficiary. By 2034, that ratio will drop to roughly 2 to 1.[1]
- Second, the number of individuals reaching age 65 each year will continue to rise dramatically.

Due to this demographic shift, there will be fewer young workers to generate taxes that support Social Security, Medicare, and other government programs at a time when more of us will be needing them. The bottom line? It's reasonable to assume that you can expect less government support as you grow older.

#5: Inflation Can Erode Your Savings

Inflation is essentially the increase in the price of goods and services. The most common measure of that increase is the Consumer Price Index, or CPI. The CPI compares current and past prices on a "basket" of common expense categories, including housing, transportation, food, and clothing.

It may be easy to overlook inflation when preparing for your financial future. After all, an inflation rate of just 2% to 3% -- which we have been experiencing for the past several decades -- may not seem worth noting, until you consider the impact it can have on your purchasing power over the long term. Consider that at just a 3% inflation rate, a $100,000 nest egg today would be worth only $40,101 in today's dollars 30 years from now.

We all want retirement to be a time of enjoyment, not financial hardship. To better ensure your own financial future, keep your retirement plan working for you.

[1] *Source: Social Security Administration, Fast Facts & Figures About Social Security, 2015.*

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