

# Catching Up on Retirement Saving

*If you are starting at or near 50, consider these ideas.*

Provided by Charles D. Vercellone, ChFC

**Do you fear you are saving for retirement too late?** Plan to address that anxiety with some positive financial moves. If you have little saved for retirement at age 50 (or thereabouts), there is still much you can do to generate a fund for your future and to sustain your retirement prospects.

**Contribute and play catch-up.** This year's standard contribution limit for an IRA (Roth or traditional) is \$5,500; common employer-sponsored retirement plans have a 2018 contribution limit of \$18,500. You should try, if at all possible, to meet those limits. In fact, starting in the year you turn 50, you have a chance to contribute even more: for you, the ceiling for annual IRA contributions is \$6,500; the limit on yearly contributions to workplace retirement plans, \$24,500.<sup>1</sup>

**Look for low-fee options.** Lower fees on your retirement savings accounts mean less of your invested assets going to management expenses. An account returning 6% per year over 25 years with an annual expense ratio of 0.5% could leave you with \$30,000 more in savings than an account under similar conditions and time frame charging a 2.0% annual fee.<sup>2</sup>

**Focus on determining the retirement income you will need.** If you are behind on saving, you may be tempted to place your money into extremely risky and speculative investments – anything to make up for lost time. That may not work out well. Rather than risk big losses you have little time to recover from, save reasonably and talk to a financial professional about income investing. What investments could potentially produce recurring income to supplement your Social Security payments?

**Consider where you could retire cheaply.** When your retirement savings are less than you would prefer, this implies a compromise. Not necessarily a compromise of your dreams, but of your lifestyle. There are many areas of the country and the world that may allow you to retire with less financial pressure.

**Think about retiring later.** Every additional year you work is one less year of retirement to fund. Each year you refrain from drawing down your retirement accounts, you give them another year of potential growth and compounding – and compounding becomes more significant as those accounts grow larger. Working longer also lets you claim Social Security later, and that means bigger monthly retirement benefits for you.

**Most members of Generation X need to save more for their futures.** The median retirement savings balance for a Gen Xer, according to research from Allianz, is about \$35,000. A recent survey from Comet Financial Intelligence found that 41% of Gen Xers had not yet begun to build

their retirement funds. So, if you have not started or progressed much, you have company. Now is the time to plan your progress and follow through.<sup>3,4</sup>

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**Citations.**

1 - [irs.gov/newsroom/irs-announces-2018-pension-plan-limitations-401k-contribution-limit-increases-to-18500-for-2018](https://www.irs.gov/newsroom/irs-announces-2018-pension-plan-limitations-401k-contribution-limit-increases-to-18500-for-2018) [10/25/18]

2 - [businessinsider.com/401k-fees-devastate-retirement-2017-5](https://www.businessinsider.com/401k-fees-devastate-retirement-2017-5) [5/10/17]

3 - [fool.com/retirement/2018/02/07/heres-what-gen-xers-have-saved-for-retirement.aspx](https://www.fool.com/retirement/2018/02/07/heres-what-gen-xers-have-saved-for-retirement.aspx) [2/7/18]

4 - [entrepreneur.com/article/309746](https://www.entrepreneur.com/article/309746) [3/2/18]

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