THE KEENE SENTINEL

New Hampshire residents lacking access to employer retirement plans: 3 Tips to Help Reach Your Retirement Goals

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In New Hampshire, more than 100,000 full-time workers currently lack access to a retirement savings plan or a pension through their employer, according to recently released findings from The Pew Charitable Trusts' "Employer-based Retirement Plan Access and Participation across the 50 States."

The analysis focused on full-time, full-year, private sector wage and salary workers, ages 18 to 64. What is also important to note is that only 44 percent of the people surveyed in New Hampshire have tried to figure out how much they need to save for retirement and only 40 percent are certain they could come up with $2,000 if an unexpected need arose in the next month.

The lack of access to an employer-based retirement plan coupled with the lack of knowledge as to what will be needed and the lack of savings could signal a problem for our state and our residents. It is time to become proactive about planning and saving.

Whether you are one of the thousands of New Hampshire residents without access to a plan, or you are looking for additional ways to save toward your retirement goals outside of your company plan, here are three tips to help create and maximize your savings opportunities:

Open an IRA before its too late

Whether you choose a traditional or Roth IRA, you can contribute up to $5,500 ($6,500 if you are age 50 or older) to an IRA for 2015 and 2016. You can also contribute the same amount on behalf of a spouse if you file joint taxes and have at least as much earned income for the year as your total contributions. A traditional IRA contribution will provide a tax deduction for your income on the current year's taxes and grow tax-deferred until retirement, at which point withdrawals will be subject to income taxes. Conversely, a Roth IRA does not have an initial deduction upfront, but will grow tax-free for the life of the account. This can add up to significant tax savings for those with a long time horizons until retirement for those who qualify to contribute to a Roth IRA. And, it's not too late to start for last year! Contributions for 2015 can be made up until April 15, 2016.

Set your savings on autopilot

One of the many advantages of having an employer-based retirement plans is the option to deduct a small portion from every paycheck towards your retirement goals, which can help make lofty savings goals feel more manageable. The same can be true for your IRAs if you set up auto deductions from your checking account each pay period. By automating this process, you are much more likely to stick to your savings goals. Also, if you choose to have your IRA invested in the stock market, this approach also allows you to take advantage of a strategy known as "dollar cost averaging" by buying in at fixed time intervals. This can help avoid the anxiety that can come from trying to anticipate when to buy in with a large lump sum each year.

Consider tax-favored alternatives

While IRA contribution limits are set significantly lower than typical employer plans, there are additional options you may consider once you reach your annual limit. This may include opening a health savings account (HSA), which provides the double savings of reducing your taxable income for the year and also growing tax free for future medical costs. Annual contributions limits for 2016 are $3,350 for an individual or $6,750 for a family (with a $1,000 additional catch-up contribution for age 55 and older) and must be used in combination with qualified high-deductible health insurance plans. Other savings options may include overfunded universal life insurance, traditional savings accounts or brokerage accounts. Keep in mind that outside of a tax-deferred or tax-free account, capital gains taxes will apply, so look for tax-efficient investment options such as exchange traded funds (ETFs). With fewer outside sources supporting retirement goals today than in decades past, taking the initiative and seeking out ways to contribute to your retirement savings is becoming each individual's responsibility. With these three tips, you can begin to take ownership of your financial future and be on your way to savings success.

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