FIRST HOPE BANK

Saving for Retirement: It's Easy as 1, 2, 3

Saving for retirement might seem tricky, but it's really rather simple. So simple that all good advice might be distilled into one short sentence: Save early and save often. The earlier you start saving money — and the more you put away — will enormously impact how much you have at retirement age. The New York Times recently illustrated this in one graph showing that if a 22-year-old and a 32-year-old start putting $5,000 away each year and earn the same 6% return, the 22-year-old will have almost double what the 32-year-old has by age 67. That's the magic of time and compound interest. **Please keep in mind this is a hypothetical example for illustration purposes only. Actual investor results will vary.*

But beyond saving early and habitually, what else do future retirees need to know? Once you make saving a habit, the road ahead is as easy as 1, 2, 3 — outlined as such in the tips below.

1 Save As Much As You Can, And Take "Free Money"

People often ask, "How much should I save?" The quick and dirty answer is: as much as you can. Working adults will often have a 401(k) — or, at not-for-profits, a 403(b) — tied to their employment. No matter what account you have, the important thing is to use it — even if that means only putting away $50 a month. But ideally, you should calculate what your cost of living is (rent/mortgage, food and groceries, utilities, medical expenses, and student loans or other debts) alongside how much extra spending money you need; then, put the majority of any leftover money away.

Additionally, many companies will match employee contributions to a 401(k) or 403(b) up to a certain percentage of a paycheck. Do whatever you can to receive that match. This is called "free money"; it's on the table, all you have to do is take it. A match can double the amount you put away for retiring every payday! **Matching contributions from your employer may be subject to a vesting schedule. Please consult with your financial advisor for more information.*

2 Invest Wisely and Trust Your Bank

You've put some money into a savings account or a work-supported 401(k) — that's a great start! Perhaps, now that saving has become second nature and you don't miss those funds, you have more money to invest with. An IRA, or an individual retirement account, might be a wise next step. These allow you to buy investments which, over time, can mean a strong ROI. Banks and brokerages often oversee accounts, and the plus of an IRA is that, depending on your income, you may be able to enjoy a tax deduction for your contributions.

Like with 401(k)s, you'll pay taxes on the withdrawals when the time comes, but an annual contribution here (the caps for which vary year to year, income to income) can be a wise start to making money over a lifetime. Your bank will have more information about how much you can contribute — and how much you can expect that money to grow.

3 Keep Tabs on Your Account and Adjust As You Go

Once you set the amount you'll put aside each week, it can be easy to forget about the savings you have growing. You will be better off by monitoring this regularly. Once a year, set reminders to take a look at your contribution and adjust accordingly — hopefully you will get promotions and larger paychecks that will invite you to add a little more to your savings each paycheck. Each year, try saving one percentage point more from your paycheck. You'll barely miss it, and over time the savings can amount to a far greater value because of these little changes.

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Together, we can help you plan for a bright and secure tomorrow.

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