

5 Easy Steps to a Comfortable Retirement

While many Americans are primarily concerned with their current financial situation, it is important to think about the future no matter what your household budget looks like. Given cost of living increases, Social Security income cannot be relied upon to cover your expenses when you retire. It also may not cover the lifestyle you hope to keep in your golden years. In 2004, the U.S. Department of Labor outlined 5 easy steps for comfortable retirement:

1. Know Your Retirement Needs

Retirement can be expensive, so you will need to know and understand what it will take to successfully save for the future. Experts say you will need at least 70% of your pre-retirement income in order to keep up your current standard of living once you are no longer working.

2. Know Your Social Security Benefits

The average retiree currently receives roughly 40% of their pre-retirement income through Social Security. Visit www.socialsecurity.gov to learn more about the benefits of Social Security.

3. Put Your Money into an IRA

An IRA, or Individual Retirement Account is a simple way to save money for retirement and gain tax advantages. According to the U.S. Department of Labor, if you contributed \$3,000 per year into your IRA earning 7% interest, you would have \$75,387 in just 15 years!

4. Contribute to a Tax-sheltered Savings Plan

If your employer offers a program such as a 401(k), it is wise to sign up and contribute as much money as possible. As of 2006, participants can contribute up to \$15,000 annually, and many companies have a "matching" percentage that they will contribute on your behalf. Contributions to a 401(k) are made automatically from your paycheck, and saving in a 401k plan reduces your taxable income, meaning you will owe less to the IRS.

5. Don't Touch Your Savings

Keep yourself from tapping into your retirement savings. By using retirement savings early, you will not only lose principal and interest, but you will also lose your tax benefits. If you change jobs, simply roll over your savings directly into an IRA or into a new plan with your new employer. Financial security doesn't just happen; it requires planning, commitment and money.

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