MAINESAVES

Building Retirement Confidence

Many people may be unaware of the amount of savings they will need to fund a comfortable retirement, according to The 2013 Retirement Confidence Survey (RCS) by the Employee Benefit Research Institute (EBRI).* The annual survey aims to discover what percentage of income Americans are saving for retirement, and whether or not the nation as a whole has a realistic financial picture for the years to come.

The Results

Survey results indicate that only 13% of workers feel very confident about having adequate retirement funds, while 28% are not at all confident in their ability to fund a comfortable retirement. Perhaps more alarming is the fact that 28% of all workers surveyed say they have less than $1,000 saved for retirement, and only 46% have tried to calculate how much they need to save to live comfortably in retirement. Based on these and other findings, Americans have a crucial need to make saving money and financial management a top priority, so they can be secure and stable in their retirement years.

Where to Begin?

So, what can you do to start saving more and spending less? A good plan begins with saving at least six months' worth of income in case of unexpected or emergency expenses. Cars break down, roofs spring leaks, and other "surprises" often seem to come out of nowhere. Having an emergency fund can help ensure these needs will be met as you continue to build your financial future. Once you calculate the amount you need to set aside, establish a monthly goal for saving toward this emergency fund, and pay it faithfully like any other expense until you have reached the predetermined amount. An emergency fund should be conserved in a relatively liquid, low-risk account.

A cash reserve is your first step toward obtaining financial security. As you accomplish this goal, consider utilizing some of these smart, money-saving tips to reach your retirement goals, as well as develop a healthy spending and saving plan:

Stash it before you cash it. Many employers offer some type of retirement savings plan, such as **401(k)s, 403(b)s**, or **457s**. Sign up and allocate a certain amount or percentage of your paycheck to be directly deposited into a retirement account. This money is deducted from your income before taxes and may have a relatively minor effect on your net pay. Furthermore, if your employer offers **matching contributions**, this will automatically increase the principal in your account—that's free money for taking the initiative to plan your future.

To enhance your new savings habit in your personal life, consider signing up for automatic transfers from your checking account to savings accounts or an **Individual Retirement Account (IRA)**. A good general rule is to increase the percentage you save every time you get a raise. This way, your savings and income have the potential to grow together throughout the years and outpace the eroding power of inflation.

Set limits. Credit cards, debit cards, and ATMs make cash readily available at the touch of a button. Take a moment to calculate a reasonable spending allowance for a week. At the beginning of the week, withdraw that amount and limit your spending. A set budget can help you prioritize necessities.

Use tax advantages when available. If your employer offers **flexible spending accounts (FSAs)**, you may contribute pre-tax earnings for medical and dependent-care expenses. These funds can help parents save tax dollars when paying for childcare, for example, but in order to not lose any money, the whole amount contributed must be depleted by the end of the year. Any remainder will be forfeited.

Pay yourself. When your credit card, new car, or school loan is finally paid off, consider “continuing” those payments by making deposits into your own savings account. Eliminating debt will increase your net worth, and by continuing to build your savings, you can greatly increase your assets.

Contribute to your piggy bank. Loose change adds up over the course of a year. Pay for everything with bills and make nightly change deposits into the piggy bank. To take this a step further, consider occasionally depositing one dollar bills or even five dollar bills. If this is done faithfully, you will likely have more than a $1,000 at the end of the year.

Conserve any windfalls. Every now and then people receive large amounts of cash at once. Inheritances, tax refunds, and company bonuses are all windfalls that may leave you flush with excitement. Those things you have been wanting may now seem to be a transaction away, but hold on. Allocate the amount received into three portions: one for long-term savings goals, one for short-term savings goals, and to reward yourself, one portion for spending money. This way, you will get to splurge on something you’ve been wanting and have the satisfaction of continuing to meet your savings goals.

Have fun for free. Sometimes, we all spend money out of carelessness or boredom. Make a list of fun and inexpensive things to do, and when you feel cash burning a hole in your pocket, do these things instead. Go for a hike, go to a museum, or even take a drive through the country. Think about your list, and stick to it whenever you feel like buying useless items. By weeding out the unnecessary from the necessary, you will be that much closer to achieving your financial goals.

Results of the *Retirement Confidence Survey* indicate that more than half (57%) of those saving for retirement report that the value of their savings and investments, excluding the value of their primary home and defined benefit plans, are under $25,000.* Consider this: Saving a mere $20 per week will amount to $1,040 at the end of the year. With a 5% annual return and 25 years of saving, those $20 contributions could amount to well over $50,000.

Saving to meet short- and long-term goals doesn’t have to be difficult, but it does require that you take a proactive approach. With a little time and effort, your goals may become a reality.

*Source: Employee Benefit Research Institute (EBRI), The 2013 Retirement Confidence Survey (RCS).