MAINESAVES

Insights From VALIC

Tips to Help Reach Your Goals

Retirement will come, ready or not. Start preparing now.

These tips can help you take action in preparing for your future.

1: Start early

Do you spend more time planning vacations than planning for retirement? One of the best planning strategies is to start now. Take action early and time can be your greatest ally.

2: Social Security isn’t enough

You may need as much as 80% of your final year’s working salary each year to fund your retirement lifestyle. But for the average retiree, Social Security will only cover about 40%.

3: Enroll in your employer’s plan

Your employer’s tax-advantaged plan can be a powerful tool to help build retirement savings—especially if they offer matching contributions. With payroll reduction, saving is automatic and effortless. It’s a great way to pay yourself first -- the most important rule of personal cash management.

4: Identify goals, develop a plan

It's fun to dream about the future, but creating a plan to reach those goals is serious business. Many people put it off because it seems complicated, but retirement planning is easy.

5: Plan for income

The last thing you want is to run out of money. Most workers will have three sources of retirement income -- Social Security, an employer’s retirement plan and personal savings. Calculate how much you will receive from these sources and compare that to your retirement income needs. Work to eliminate any gaps.

6: Save before taxes

With an individual retirement account (IRA), you can defer income taxes. If you are in the 25% tax bracket, putting $100 into a pretax retirement account only costs you $75 (same 25% tax bracket). Over time, the difference can be substantial.

7: Determine risk tolerance

Markets go up and down. Your ability to handle volatility is based partly on your personality, but also influenced by your current financial situation, need for liquidity, investment preferences, how soon you need the money and other factors. Knowing your risk tolerance helps determine the kinds of investments best suited for you.

8: Diversify

Putting all your money in one ever-increasing investment would be great. The problem is, no one knows which investments will grow. One solution is to spread your risk around so that if one asset zigs, another may zag.

9: Asset allocation

You now know to diversify investments across different assets. But how do you determine how much to put into which assets? That is the task of asset allocation — the science of selecting the right types of investments in the right proportions.

Keep in mind that neither asset allocation nor diversification ensures a profit or protects against market loss.

10: Beat inflation

Inflation corrodes the purchasing power of your investments. The $100 bill you stashed in a coffee can a decade ago may still be a $100 bill, but the cost of everything has since risen, and your money buys less. To keep up with inflation, some of your money should be invested in assets with a history of outpacing inflation, like stocks and stock mutual funds.

11: Stay invested

Market timing — jumping in and out of markets, hoping for a big rise or to avoid a drop — is a poor strategy. No one can accurately predict the future.

Applying these tips can mean having clearly defined and attainable goals, a plan for funding those goals, knowledge to invest appropriately and you will begin accumulating retirement money.