Hope Is Not a Strategy

American Century Investments®

FINANCIAL FYI®

Saving enough in your employer's retirement plan?

If you're saving for retirement, especially by contributing to an employer's retirement plan, you've made a smart choice and may be well on your way to a comfortable future. However, most people aren't sure if they're saving enough.* They're hoping so.

First, figure out how much you may need

A general rule of thumb is that you'll need about 80% of your current income each year to maintain a similar standard of living. With healthier lifestyles, many retirees can expect to live up to 30 years in retirement.

$50,000	$40,000 x 30 yrs	$1.2 million
Current Income	$ Needed in Retirement	Will you have enough?

How much should you save? *As much as you can!*

No matter how you add it up, retirement won't be cheap. If you are 10 or more years away, using the 80% rule is probably okay. However, if you're within five to seven years of retirement, you'll want to development a more specific plan. Once you have a good idea of how much, consider these saving tips:

Make it a priority

Lots of expenses compete for your income. It will be the same in retirement, but without the steady paycheck. The more you save now, the easier it will be to cover those expenses.

Find ways to make saving a priority. Figure out where your money goes and you'll likely find places to stop spending and put it toward retirement.

Increase savings, not risk

Avoid compensating for too little savings by putting money in more aggressive investments. That may work if you're in your 20s or 30s while you still have the luxury of time. As you get older, adding more risk, or the wrong kind of risk, can backfire. It's better to:

- Save enough, after determining how much you may need
- Put investments in the right risk category for your age, time horizon and comfort level with risk

Too risky or too conservative?

Find your balance

A target-date fund may be a good solution for helping you have the right balance for your retirement savings based on your age and how long you have until retirement.

You choose a fund with the date closest to your intended retirement date. The funds follow a preset asset allocation schedule that's specifically designed to provide the trade-off of risk and reward potential based on the target date.

Give yourself a nudge

Increase your savings by one or two percent every year in a workplace retirement plan. That little nudge over time can have a powerful impact on your savings. If your plan offers automatic increases, be sure to stay opted in. Either way, you'll see immediate small impacts in current tax savings and it's less painful on your monthly bottom line.

	1%	2%
Amount your monthly take home pay will be reduced	$31	$63
Amount your annual income tax bill will be reduced	$125	$252
Amount the additional % could have on your savings over 30 years	$31,296	$63,604

Hypothetical example based on an annual salary of $50,000 in the 25% tax bracket and 30 years to save at 6%.
Source: American Century Investments Time/Value Calculator.

Match the match

If your employer's plan offers to match your contributions up to a certain point, take advantage of it. It's almost like getting free money and is one of the easiest ways to help fund your retirement.

10% to 15%

Amount of money financial planners estimate the average household wastes each month.

The bottom line

Creating a plan is one of the best ways to determine whether you'll have saved enough for retirement. Knowing about how much you'll need and then taking steps to help you reach that amount can mean the difference between confidence and hope.

*Source: Employee Benefits Research Institute (EBRI) 2015. 77% of workers are somewhat confident, not too confident or not at all confident they'll have enough money for a comfortable retirement.

This information is for educational purposes only and is not intended as tax advice.

A target-date fund is named by the approximate year when investors plan to start withdrawing their money. The principal value of the investment is not guaranteed at any time, including at the target date. Each target date portfolio seeks the highest total return consistent with its asset mix. Each year, the asset mix and weightings are adjusted to be more conservative. In general, as the target year approaches, the portfolio's allocation becomes more conservative by decreasing the allocation to stocks and increasing the allocation to bonds and money market instruments.

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