

Your Retirement: Setting Long-Term Savings Goals

You've worked for more than 20 years and you're looking to retire in the next 20, but you're worried about the struggling economy, fluctuating stock market and your shrinking investments --especially your 401(k). What should you do?

Financial planners caution there's one thing you shouldn't do: Pull money out of your tax-deferred retirement accounts. Taking money out of accounts like a 401(k) or Individual Retirement Account (IRA) can cost you dearly --both in taxes and other penalties. But planners also say enough people are doing it to make it a frightening trend.

"More workers who are 45 and older have stopped putting money into 401(k) s and IRAs and are making withdrawals, which is extremely concerning," says Laura Mattia, CFP, a wealth management principal with Baron Financial Group in Fairlawn, NJ. "At 45, you're not planning to access that cash for another 20 to 25 years. If you take the money out now, you don't give the market a chance to rebound, and you'll lose a significant part of your investment."

What should you do? Continue to contribute to your tax-deductible retirement accounts. If you're uncomfortable with stocks and mutual funds, consider buying certificates of deposit (CDs) in an IRA account.

How Much Should You Save for Retirement?

Using an online IRA Calculator can help you determine how much money you need to save for a comfortable retirement. In light of the changing economy, you may find it especially valuable to update your long-term savings goals.

Wild swings in the stock market have drastically reduced the value of most retirement plans, so going forward, you may need to save a larger percentage of your income to help achieve your original goals. Planners say your age will be the biggest factor in determining what your new retirement savings goals should be, and how much you need to put away.

"If you're just starting to save and you're in your 40s, you'll need to save 15 percent of your annual income," says Brent Kessel, CFP, author of "It's Not About the Money", and co-founder of Abacus Wealth Partners. "And if you're in your 50s and just starting to save for retirement, start saving 20 percent of your annual income."

"At 45, 50 and 55, it's most essential to figure out what you want to achieve," Mattia says. "I'm not suggesting you change your goals, but you might need to plan differently to reach them."

It's Never Too Late to Start Saving

Mattia asks her clients two things:

- at what age they want to retire
- how much spending money they anticipate needing each month to live

Then she works with clients to create a plan to meet those goals, or helps clients adjust

them in case they are not realistic.

“Their goal may be to retire at age 60 and have \$8,000 a month to spend,” Mattia says. “I [try to] find out if 60 is a hard number. How about 62 or 64? Then I'll ask if they really need \$8,000 in spending. Usually there's a range they're willing to work within.”

Besides cutting back on spending, the easiest way to reach these goals is to have money taken directly out of your paycheck or checking account and deposited automatically into your company's 401(k), a Roth IRA or an FDIC-insured high-yield deposit account.

Where Should You Put Your Retirement Funds?

While you'll probably want to have at least some of your money in the stock market, you may want to put a large portion in FDIC-insured investments from a bank, such as CDs, money market accounts and IRAs. These are extremely safe investments that generally offer good returns.

Currently, the FDIC insures up to \$250,000 of assets per person, per bank, per deposit category. But certain assets held in an IRA will be insured up to \$500,000 per person. For current insurance limits on savings account, money market accounts, IRAs and CDs, visit www.FDIC.gov.

Life Changes May Change Your Long-Term Retirement Goals

You may find that the amount of money you need for retirement has increased and so you may need to find a way to earn more income or delay your retirement until you're eligible for other benefits, such as Medicare. Don't worry --you'll have lots of company.

“People are working longer,” Kessel says, “but not just for financial reasons. We've seen that people get depressed if they don't contribute to society in some way. The best thing to do is find a post-retirement career --a job that will make you happy even into your 80's --whether it's selling real estate part-time or working at your local health club.”

When it comes to saving for retirement, most banks offer both traditional and Roth IRA CDs. For information about AAA's Deposit Program, visit AAA.com/Deposits or call 1-888-204-8990.