RETIREMENT READINESS BY THE DECADES

Life, it has been said, is a marathon, not a sprint. Meaning pace yourself, take measured steps to get where you want to go. The same can be said of planning for retirement. Taking small steps, over the course of years and decades, means you'll be fully prepared in the long run. Successful retirees will tell you that to reach your goal you have to start as soon as possible – regardless of your age. Whether you are in your 20s or your 50s, there's something you can be doing to help you go the distance toward a comfortable, secure retirement.

Long gone are the days when Social Security and pensions provided enough retirement income. Pension funds, few and far between these days, can no longer sustain payments for increasingly longer life spans, and few employers even offer them. Without pensions, it's now up to us to plan for and manage our own retirement savings and build an income safety net when necessary. Today's decades-long retirement requires more support from personal savings and investments and even income from encore careers. While you can't always control when you retire (health, job stability, family dynamics and more play a factor), working longer may be an option (or a necessity) for many of us.

Saving for a retirement that may be decades away may seem like a lower priority compared to competing goals, like buying a house or putting a kid through college. And while it may not always be easy, consider taking even a few small steps toward achieving this major goal each year. Remember, time is an incredibly valuable asset when it comes to planning for your future. And if you're not quite where you hoped to be, don't get discouraged. Do as much as you can now, and talk to your financial advisor about other ways to catch up.

Teens

Yes, even teenagers can and should be saving for retirement, as soon as they start working. At minimum, encourage the teens in your life to divide their income into buckets for saving, spending and charity. Establishing good financial habits early sets them up for greater success later in life.

IF YOU CAN: Once they have earned income, they can open a Roth IRA to allow savings to grow tax-free for a long time. Saving early and often allows money to compound over time.

THE GOAL | Learn the value of good work ethics and a hard-earned dollar.

Cash is king, perhaps more so to teenagers who can't wait to spend the money they've earned. Just remind them that it's important to spend some and save some. When they enter the workforce, having cash on hand can serve as a financial cushion as they search for better jobs and negotiate salaries.

20s

Take the free money! Contribute as much as necessary to maximize all matching contributions offered through your company's sponsored retirement plan. If right for you, select investments that offer growth potential and diversification. If you save $6,000 a year starting at age 20 and earn just 5% each year, you'll be a millionaire by 65.

IF YOU CAN: Multitask. Automate your retirement contributions and then save up for an emergency fund, so you don't have to raid your retirement savings should something unexpected happen. Seek objective advice from your family's financial advisor when you need help.

THE GOAL | Live for today, but start saving for tomorrow.

Debt can weigh heavy when you're starting out. Say no to things you can't really afford, create a budget, pay your bills on time and make a plan to pay off student loans and high-interest debt. Learn how to use credit wisely to build up your credit score.

TIP | Increase your savings rate by 1% a year. You won't notice a difference, but your retirement account will.

30s

Time to get real. You're halfway to retirement. Ask your financial advisor to help you define your retirement goals (e.g., lifestyle and when to retire) and create an investment strategy to help get you there. Tax-advantaged accounts like a 401(k) or IRA can help you reduce taxes over your lifetime.

IF YOU CAN: Work with your spouse to maximize retirement savings and employer benefits as a couple. If you can, save at least 10% of your income with a goal of getting to 15%. Increase your savings rate when you get promoted, get a tax refund or earn a bonus. If you haven't already, start estate planning to ensure your wishes for your family are well-documented.

THE GOAL | By 39, save 1 to 3.5 times your salary.

Buying a house, vacations, getting married, starting a family – all wonderful goals – but you need to decide what takes priority after saving for retirement and what tradeoffs you're willing to make. Remember, pay yourself first!

Too young to plan for the unthinkable? Think again. If you don't plan for the transition of your assets, the state will. At the very least, get a will, healthcare proxy and durable power of attorney.

40s

You're entering your peak earning years, so be sure to research your market value and negotiate your total compensation accordingly. Your Social Security benefits will be based on your best 35 years, and you want to make sure you're earning as much as possible for as long as you're planning to work.

IF YOU CAN: Maximize contributions to your IRAs and other dedicated retirement accounts. If you haven't already, consider consolidating old accounts from previous employers, so you can better manage the assets and fees. Review insurance policies (e.g., health, disability, long-term care) to make sure they meet your needs.

THE GOAL | By 49, save 3 to 6 times your salary.

Saving for a child's education is an admirable goal, but should you have to choose, prioritize your future (there's no such thing as a retirement scholarship). Your advisor has tools to help you project what goals you'll be able to support simultaneously. If you can save toward both, consider a tax-advantaged 529 college savings plan.

If you change jobs, carefully review your old employer's plan guidelines and determine whether to leave your savings there, roll over the assets to another retirement account, or cash out the account value.

50s

Revisit your retirement goals. Perhaps dialing back some of your investment risk makes sense, as long as you find a balance between being too conservative and swinging for the fences. Your advisor can help you adjust your asset allocation accordingly, so you'll feel confident with your retirement income plan.

IF YOU CAN: Take advantage of catch-up contributions, starting at age 50. That gives you the potential to save $6,500 in an IRA and up to $24,000 per year in a 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan.

THE GOAL | By 59, save 6 to 10 times your salary.

Many in their 50s find themselves "sandwiched" between caring for their children and their parents. Determine how much you can give financially and otherwise to the care of your family, and don't forget to take care of yourself!

TIP Visit ssa.gov to view your earnings record and estimated Social Security benefits.

60s

Establish a retirement income plan, for you and your spouse, including a coordinated Social Security strategy. This includes merging various income streams and portfolio distributions to pay for your wants and needs. If you plan to contribute to your grandchildren's education funds, include that in your budget.

IF YOU CAN: If you're in good health and have the opportunity, consider working longer in some capacity, maybe even as a volunteer or entrepreneur. If you decide to fully retire, map out your exit strategy. Line up Medicare or some other health insurance to ensure you have coverage.

THE GOAL | By 69, save 10 to 16 times your salary.

A health crisis can derail even the best-laid retirement plans. Make sure you have adequate insurance and an emergency fund to help you and your family weather such an event. Revisit your beneficiaries and estate plan to make sure they're up to date. Just in case.

Apply for Medicare three months before you turn 65.

70s

If you waited until now to take Social Security, congratulations! You'll receive the highest amount possible if claiming on your own earnings record. All that's left is to incorporate that income as well as your RMDs into your sustainable spending plan.

IF YOU CAN: It's not too late to establish a proper legacy plan, including healthcare proxies and powers of attorney. After your needs and wants are met, what would you like to do with the rest of your assets? Review your plan to ensure it reflects your wishes for your family and any charities you support.

THE GOAL | Quality of life! Decide where and how you want to live, then retire on your terms.

Many new retirees worry about drawing down the principal they've worked so hard to build, forgetting that they've planned for this all along. Now is the time to act while you're in good enough health and wealthy enough (hopefully) to do what you want. You can phase in retirement, travel, continue to work, spend time with family – the possibilities are endless.

80s

Work with your advisor to ensure your income plan will last as long as you need it to, outpace inflation, provide some cushion in the event of a health issue, and pay for your needs and wants. All of this should have already been addressed, but it doesn't hurt to double-check.

IF YOU CAN: With a sustainable spending plan in place, all that's left is to live well, within your means, of course. Take care of your health and enjoy the fruits of your labor. You've earned it

THE GOAL | Living well is the ultimate reward. You've earned it.

Most of us want to leave more than memories behind. If leaving significant wealth to your children, grandchildren or favorite cause is important to you, ask your advisor to collaborate with your estate attorney and tax professional to ensure the smooth transfer of your assets when the time comes.

TIP | Ask trusted heirs to learn more about your finances. They can help you manage your financial affairs should you need it, and knowing all the details can help ensure a smooth transition of assets.

These generalized guidelines can help anyone prepare for retirement, but of course, the ideal plan should be optimized for you, tailored to help you fulfill the life you envision in retirement. There are many considerations to factor in, like the markets' behavior, inflation, your own longevity and health, and even unknowns that may send a shockwave through your well-thought-out plan. Women, in particular, may need to account for loss of career momentum if they leave the workplace to care for children or other family members, or find themselves managing finances on their own after decades of marriage. The good news is that these and other retirement challenges can be overcome with smart money moves over time. Just be sure to regularly touch base with your advisor and revisit your plan regularly as you work toward this life goal.

Hypothetically, money put away in an investment account that grows 6% annually will double in 12 years

Get the numbers and ask your advisor to run the appropriate "what if" scenarios

And, for those procrastinators among us, it's really not too late. One in four Americans feel financially unprepared for retirement. And while there's no quick answer, you can still make progress toward your savings goals, even if you're behind. Remember those small steps we keep talking about? Take one as soon as possible.

Hypothetically, money put away in an investment account that grows 6% annually will double in 12 years, which means that unless you're already on the cusp of retirement, there's still time to accumulate a significant sum. Bear in mind, too, that today's retirements can last a long time and that your money will be withdrawn gradually. The balance has the potential to keep growing while you're retired.

Besides saving, other options include trimming expenses; eliminating high-interest debt as quickly as possible; revisiting your asset allocation without taking on undue risk; working for a few more years; or editing your retirement vision to include a simpler lifestyle.

Last, but certainly not least, you can lay out everything with your advisor. Determining how much you need for the retirement you envision, what you need to get there, how to invest your money, how to account for inflation, what your healthcare costs are likely to be – these are all matters your advisor understands and deals with every day. Get the numbers and ask your advisor to run the appropriate "what if" scenarios. You may find your situation is brighter than you think and that knowing your options allows any lingering concerns to fade.

Sources: fidelity.com; washingtonpost.com; dailyfinance.com; time.com; wealthmanagement.com; oppenheimerfunds.com; metlife.com; Pershing's "The Retirement Challenge Dilemmas and Decisions Through Every Decade"; Employee Benefit Research Institute, "The 2014 Retirement Confidence Survey"

The hypothetical examples are included for illustrative purposes only. They are not intended to reflect the actual performance of any security, and do not include fees and charges which would reduce an investor's return. There is no assurance that any investment strategy will be successful. Investing involves risk including the possible loss of capital.
Asset allocation and diversification do not ensure a profit nor protect against a loss. Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Withdrawals from tax-deferred accounts may be subject to income taxes, and prior to age 59 1/2 a 10% federal penalty tax may apply.

Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible college expenses, such as tuition and room and board. However, if you withdraw money from a 529 plan and do not use it on an eligible college expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings.

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