Retirement Readiness by the Decades

Whether you're in your 20s or your 50s, there are steps you can take to help ensure a comfortable, secure retirement.

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Life, it has been said, is a marathon, not a sprint. 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.

In Your Teens

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.

The Goal: Learn the value of good work ethics and a hard-earned dollar.

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.

Considerations: 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.

In Your 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.

The Goal: Live for today, but start saving for tomorrow.

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.

Considerations: 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.

In Your 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.

The Goal: By 39, save 1 to 3.5 times your salary.

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.

Considerations: 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!

In Your 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.

The Goal: By 49, save 3 to 6 times your salary.

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.

Considerations: 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.

In Your 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.

The Goal: By 59, save 6 to 10 times your salary.

Considerations: 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 take care of your family, and don’t forget to take care of yourself!

In Your 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.

The Goal: By 69, save 10 to 16 times your salary.

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.

Considerations: 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.

In Your 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.

The Goal: Quality of life! Decide where and how you want to live, then retire on your terms.

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.

Considerations: Many new retirees worry about drawing down the principal they've worked 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.

In Your 80s and Beyond

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.

The Goal: Living well is the ultimate reward. You've earned it.

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.

Considerations: 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.

These generalized guidelines can help anyone prepare for retirement, but of course, the ideal plan should be optimized for you and tailored to help you fulfill the life you envision in retirement. Touch base with your advisor and revisit your plan regularly as you work toward your life goals.

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"

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 59½ 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.