

COMMENT

It's never too late to start saving for retirement

Conventional wisdom tells us that once you start getting a paycheck, you should save a portion of it for retirement.

Too bad life gets in the way.

Illness, children's education, home renovations, job loss, divorce and more can all dip into funds earmarked for retirement. It's no wonder only 44 percent of Americans ages 55 and older have saved less than \$100,000, according to a Retirement Confidence Survey conducted by the Employee Benefit Research Institute.

Still, it's important for Americans — even those in their 50s and 60s — to know that it's not too late to jump-start their savings as they approach retirement. The following are some simple financial strategies to consider.

Know what you'll need

Take the time to figure out — and revisit — how much money you'll need in retirement. Experts estimate that retirees generally need at least 70 to 80 percent of their pre-retirement income. You can tap into Web sites that help calculate your life expectancy and how long your money will last in retirement.

A few sites featuring financial calculators include www.longevitygame.com, www.aarp.org, www.ssa.gov and www.smartmoney.com. If you haven't already, it may be helpful to talk with a financial professional to develop a strategy to meet your individual needs.

Cut the debt

Eliminating consumer debt and curbing spending is a critical precursor to retirement. This may not be easy since the average American carries \$2,328 in credit card debt, according to research by Myvesta, a nonprofit consumer-education organization.

If credit cards are sabotaging your pocketbook, you can call your credit card company and renegotiate the interest rates being charged. You can also make a point to pay a set amount of extra money toward your debt. Look for this money by cutting expenses you could do without — regular trips to coffee shops, pricey restaurants and membership fees for services you don't really use.

It's also wise to destroy your credit cards and keep just one card in hiding in case of emergencies.

Check how you're saving

Many experts suggest that pre-retirees save at least 10 percent of their annual gross income, but those with fewer resources may need to save more. How you save can be as important as how much you save.

First, always contribute as much as you can in savings plans. The government allows workers age 50 and up to save more than younger employees with "catch-up contributions" allowing older workers to contribute thousands more to their 401(k) and IRA each year.

In 2006, the maximum contribution limit for an IRA, Roth or traditional, was \$4,000 for the general population and \$5,000 for those 50 and older by year-end. For 401(k)s, the maximum contribution limit in 2006 for pretax employee contributions was \$15,000 for the general population. For those 50 and older by year-end, the limit was \$20,000.



GUEST OPINION

Daniel M. Day

Annuitants are another savings vehicle worth considering. They offer a tax-advantaged way to guarantee an income for life, or alternatively, a set amount of income for a specific number of years. In general, funds can be withdrawn from an account after age 59 and a half, at which time the earnings withdrawn are taxed. Withdrawals prior to age 59 and a half may be subject to ordinary income taxes and a 10 percent IRS early withdrawal penalty. It's best to consult with a tax adviser for specific tax advice.

Be prepared for ups, downs

While Americans are living longer, there are no guarantees for good health.

Health-related expenses can impact the income you'll need in retirement while medical conditions can jeopardize your retirement plans. It's estimated that 60 percent of people older than 65 will need help with health and personal needs and activities of daily living as they grow older. Having insurance for such needs may be a consideration.

Consider working part time

If you receive a regular paycheck, you don't have to draw as much from your investments to get by. This gives your savings a chance to grow and lowers the risk of your portfolio running dry. Employer-paid medical insurance for you and your spouse may also be a major benefit, especially if you're waiting for Medicare to kick in.

Another way to look at working — those who retire at 65, work two days a week and earn 40 percent of their pre-retirement salary can increase their savings by 30 percent in five years.

Even with retirement only a decade or less away, those in their 50s have the power to make the most of their prime earning years while refining their retirement strategies. By saving, investing and preparing wisely, pre-retirees can ensure a growing retirement nest egg for years to come.