Your Financial Health

How much should I be saving for retirement?

This is one of the most frequently asked questions and while the answer can vary greatly based on your specific circumstances, including what age you plan to retire and what type of lifestyle you envision having during retirement – there are some general guidelines that may help you evaluate your current rate of savings.

One of the most important pieces of advice, is start early and be consistent with how you invest into your retirement account. While in your 20s – set a goal to save 25 percent of your overall gross pay – this means you need to keep your lifestyle expenses under 75% of your gross income.

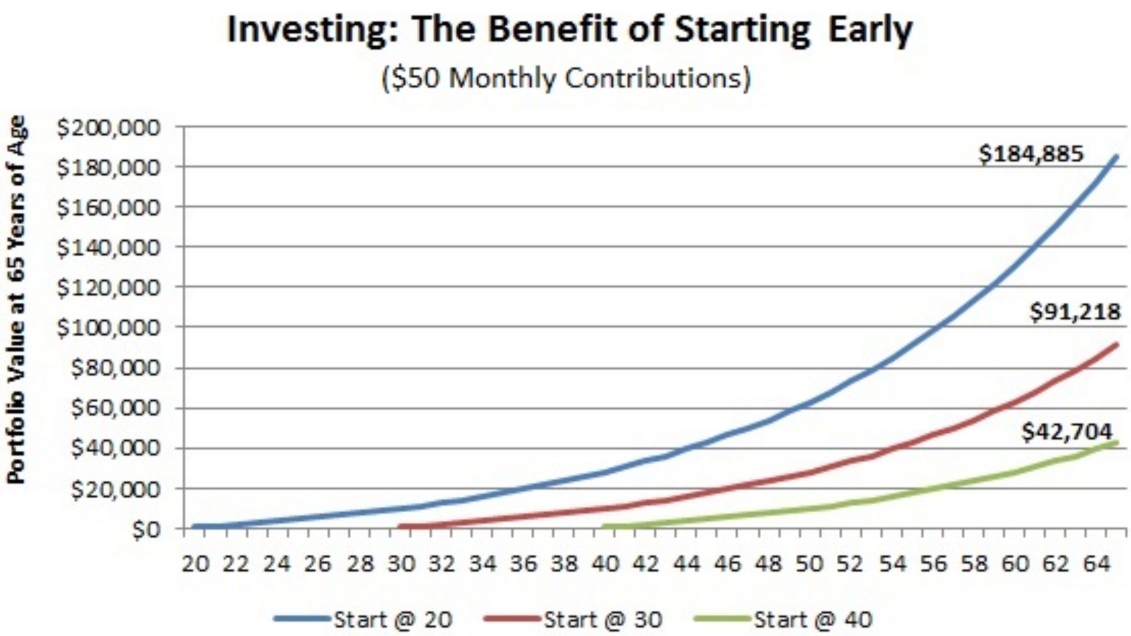
By age 30, you will ideally have saved what your annual salary is at age 30. If your annual salary is $55,000 – this is also the amount you have saved. This includes any of your retirement account contributions, matching funds from your company and savings accounts.

By age 35: Have twice your annual salary saved.
By age 40: Have three times your annual salary saved.
By age 45: Have four times your annual salary saved.
By age 50: Have five times your annual salary saved.
By age 55: Have six times your annual salary saved.
By age 60: Have seven times your annual salary saved.
By age 65: Have eight times your annual salary saved.

In addition to saving consistently through your working years, the earlier you start, means your retirement savings will have that much more time and potential to grow. The graph on the following page illustrates 3 scenarios where an investor contributes $50 monthly and starts at age 20, age 30 or age 40. The illustration assumes a 7% rate of return.

E meet@aisplanning.com P 320.252.6552 F 320.252.6534

3701 12th Street North | Suite 103 | St. Cloud, MN 56303
aisplanning.com



If you wait until your 40th birthday to start investing for retirement and contribute $50 monthly, by age 65 you will have $142,181 less in savings than if you had started saving $50 a month on your 20th birthday.

Consider increasing your monthly contribution over time, whether that is 1% per quarter or 1% per year. Also, try and invest a portion of any raises or bonuses you may receive. This is money that is not currently a part of your budget and can be an easy way to increase your 401(k) contributions over time.

Your AIS Planning Team
Cathy Juilfs and Dan Gaughan
www.aisplanning.com

E meet@aisplanning.com P 320.252.6552 F 320.252.6534
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