Hope Is Not a Strategy

American Century Investments®

FINANCIAL FYI®

Saving Enough in Your Employer's Retirement Plan?

If you're saving for retirement, especially by contributing to an employer's retirement plan, you've made a smart choice for your future. However, most people aren't sure if they're saving enough.* They're *hoping* so.

First, figure out how much you may need.

A general rule of thumb is that you'll need about 80% of your current income each year to maintain a similar standard of living. With healthier lifestyles, many retirees can expect to live up to 30 years in retirement.

$50,000	$40,000 x 30 yrs	$1.2 million
Current Income	$ Needed in Retirement	Will you have enough?

How much should you save? *As much as you can!*

No matter how you add it up, retirement won't be cheap. If you are 10 or more years away, using the 80% rule is probably fine. However, if you're within five to seven years of retirement, you'll want to develop a more specific savings plan. With your estimate in hand, consider these tips:

Make it a priority.

Lots of expenses compete for your income. It will be the same in retirement, but without the steady paycheck. The more you save now, the easier it will be to cover those expenses.

Find ways to make saving a priority. Figure out where your money goes and you'll likely find places to stop spending and put it toward retirement.

Increase savings, not risk.

Avoid putting money in aggressive investments as a way to compensate for too little in savings. That strategy could work if you're in your 20s or 30s while you still have the luxury of time. But as you get older, adding more risk—or the wrong kind of risk—can backfire. It's better to:

- Save enough, after determining how much you may need.
- Put investments in the right risk category for your age, time horizon and comfort level with risk.

Too risky or too conservative?

Find your balance.

Target-date funds are specifically designed to balance risk and reward potential over your retirement time frame.

When you choose a fund with the date closest to your intended retirement date, the fund will follow a preset schedule that gets more conservative over time.

*Source: Employee Benefits Research Institute, EBRI/Greenwald Retirement Confidence Survey, 2018. 68% of workers are somewhat confident, not too confident or not at all confident they'll have enough money for a comfortable retirement.

Give yourself a nudge.

Increase your savings by 1-2% each year in a workplace retirement plan. Or, if your plan offers automatic increases, be sure to opt in. That little nudge may not matter much to your monthly bottom line, but it can have a powerful impact on your account balance and tax bill over time.

	1% extra	2% extra
Amount your monthly take home pay could be reduced	$42	$83
Amount your annual income tax bill could be reduced	$125	$225
Amount the additional % could have on your savings over 30 years	$46,490	$87,254

Hypothetical example based on annual salary of $50,000 in the 25% tax bracket, with 1% ($42) and 2% ($83) invested for 30 years at a 6% rate of return. Source: American Century Investments, 2019, Investment Returns Calculator, dinkytown.net.

Match the match.

If your employer's plan offers to match your contributions up to a certain point, take advantage of it. It's almost like getting free money and is one of the easiest ways to help fund your retirement.

The Bottom Line

Creating a plan is one of the best ways to determine whether you'll have saved enough for retirement. Knowing how much you'll need and then taking steps to reach that amount can mean the difference between *hope* and **confidence**.

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A target-date fund is named by the approximate year when investors plan to start withdrawing their money. The principal value of the investment is not guaranteed at any time, including at the target date. Each target date portfolio seeks the highest total return consistent with its asset mix. Each year, the asset mix and weightings are adjusted to be more conservative. In general, as the target year approaches, the portfolio's allocation becomes more conservative by decreasing the allocation to stocks and increasing the allocation to bonds and money market instruments.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

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