

Calculating Your Retirement Needs

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Calculating a retirement savings goal is one of the most important steps investors can take to help determine if they are on pace to meet that goal. However, less than half of American workers have tried to figure out how much money they will need to accumulate for retirement;¹ and the vast majority of these individuals admit that they either guessed or did their own calculations. What about you?

Planning Matters

What is important to realize is that the exercise of calculating a retirement savings goal does more than simply provide you with a dollars and cents estimate of how much you will need for the future. It also requires you to visualize the specific details of your retirement dreams and to assess whether your current financial plans are realistic, comprehensive, and up-to-date.

Action Plans

The following four strategies will help you do a better job of identifying and pursuing your retirement savings goals.

1. **Double-check your assumptions.** Before you do anything else, answer these important questions: When do you plan to retire? How much money will you need each year? Where and when do you plan to get your retirement income? Are your investment expectations in line with the performance potential of the investments you own?
2. **Use a proper "calculator."** One way to calculate your goal is by using one of the many interactive worksheets now available free of charge online and in print. Each type features questions about your financial situation as well as blank spaces for you to provide answers. An online version will perform the calculation

automatically and respond almost instantly with an estimate of how much you may need for retirement and how much more you should try to save to pursue that goal. If you do the calculation on a paper worksheet, however, you might want to have a traditional calculator on hand to help with the math. Remember that your ultimate goal is to save as much money as possible for retirement regardless of what any calculator might suggest. Check the assumptions carefully, as they can make or break a projection.

3. **Contribute more.** Do you think you could manage to save another \$10 or \$20 extra each pay period? If so, here is some motivation to actually do it: Contributing an extra \$20 each week to your plan could provide you with an additional \$130,237 after 30 years, assuming 8% annual investment returns.² At the very least, you should try to contribute at least enough to receive the full amount of your employer's matching contribution (if offered). It is also a good idea to increase contributions annually, such as after a pay raise.
4. **Meet with an advisor.** A financial professional can help you determine a strategy -- and help you stick to it. This includes reviewing your assumptions, calculating your retirement needs with sophisticated software, and helping you to save and invest your money.

Retirement will likely be one of the biggest expenses in your life, so it is important to maintain an accurate price estimate and financial plan. Make it a priority to calculate your savings goal at least once a year.

¹Source: Employee Benefit Research Institute, 2011 Retirement Confidence Survey, March 2011.

²This example is hypothetical and for illustrative purposes only. Your results will vary. Investment returns cannot be guaranteed.

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