

Life & Legacy

Redefining retirement, one step at a time

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RETIREMENT PLANNING

Five keys to restarting your retirement plan

The recession and volatile markets may have prompted you to stop putting money toward your retirement. If you decide now is the time to get your savings back on track, these five steps can help.

Many Americans found it difficult to continue investing through the bear market of 2008 and early 2009. Indeed, a recent AARP study found that nearly a third of individuals age 45 and above stopped contributing to their retirement savings accounts due to the economic decline.

If you're among that group, you may be thinking about restarting your contributions now that the economy and market seem to be recovering, despite some continued volatility. It's a wise move: In all likelihood you'll still need to generate the majority of your income during retirement from savings and investments. And contributing to your portfolio consistently—whether through the automatic deductions offered by your 401(k) or 403(b) plan or regular contributions to an IRA—is an excellent way to build your retirement account over time.

“The market can really take you on a roller-coaster ride,” says Jean Setzfand, AARP’s director of financial security. “But the more discipline you have throughout the investment process, the better off you’ll be in the long term.”

If you stopped making contributions to your retirement plan during the market downdrafts and now want to resume your savings—or even if you never stopped contributing but want to get a better grasp of your retirement strategy—consider these strategies:

- **Reassess your situation.** Take the time to revisit your goals and timeline. How far are

you from retirement? What will your expenses be after you retire? How much money do you need to save to build a retirement account large enough to help meet those costs? Setzfand suggests using an online retirement calculator for a quick checkup; consult your advisor for a more sophisticated assessment of your retirement income needs.

- **Determine how much to contribute.** After running the numbers, you’ll have a better idea of how much you need to save in order to help meet your retirement goals. Bear in mind that you may need to boost your contribution level, particularly if you weren’t saving enough previously or want to make up for the period in which you weren’t contributing. “Don’t assume your previous contribution level is the right amount to contribute now,” says Setzfand.

- **Get the company match.** Whatever contribution target you and your advisor decide on, be sure to put enough into your workplace retirement plan to receive the full benefit of any company matching funds. “That money is part of your compensation package,” says Setzfand. “If at all possible, don’t leave this contribution to your retirement account on the table.”

- **Develop a plan you can maintain over time.** One of the keys to investing success is having a plan you can stick to in both up and

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down markets. Like many investors, you may have discovered during the bear market that your tolerance for risk isn't as robust as you once thought it was. As a result, you might choose to decrease your allocation to stocks, which experience greater short-term volatility than other asset classes. That move

probably would also reduce your portfolio's growth potential, which you might choose to offset by increasing your contribution rate. Your advisor can help you develop an asset allocation that suits your risk tolerance and offers the potential growth you need to help meet your goals.

- **Put your emotions aside.** Once you've come up with a plan that fits your needs, do your best to ignore market fluctuations. For example, you might review your portfolio's performance quarterly rather than daily or weekly. "It's hard to have faith in your system when you're watching money fly out the door," acknowledges Setzfand. "But if you have the discipline to stick with your plan, you'll see that markets will sometimes go down—and will then go back up." Over the long term, a smart investment strategy is still the best opportunity to grow your savings.

TALK TO YOUR FINANCIAL PLANNER ABOUT:

- Whether your retirement savings are on track
- How much you should contribute to your retirement savings accounts
- Whether your asset allocation is appropriate for your risk tolerance

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