

Stick With Your Plan

Q. I can afford to contribute more to my retirement savings plan account. Should I do that even though the stock market is down?

A. Yes! The first rule of saving for retirement is to contribute all you can to every tax-favored savings plan you're eligible for. That's so important it's the second and third rules of saving for retirement as well!

It's important to get into the habit of saving money instead of spending it all. And we form habits by doing something over and over again. Contribute more to your plan this year and it will be easier to do the same next year and easier still the year after that. If you break the savings habit each time the stock market takes a dip, you risk never getting back into the habit of saving for retirement on a consistent basis.

And don't forget the tax breaks. Every penny contributed to a retirement savings plan reduces your current income for tax purposes—no matter what the stock market is doing.

If the depressed stock market spooks you, contribute less to stock funds and more to bond and money market funds. But stay in the habit of contributing all you can to your retirement savings plan—no matter what the stock market is doing.

Q. Where can I find extra money to contribute?

A. Are you buying more—or more costly—items than you used to? Are you eating out more? Review your spending for the past year by looking over credit card bills and cancelled checks. Look for expenses that are bigger than they used to be. Brainstorm with your family about the frills you can live without. There are a number of Web sites that offer free help with budgeting, like iVillage.com and financialplan.about.com. Or hire an ally by using one of the computerized money management programs, such as *Quicken* or *Microsoft Money*. Remember that each dollar you save today may grow into many dollars by the time you retire.

Q. How much difference can a few dollars a week make, anyway?

A. A lot more than you probably think. Say that retirement is 30 years away and you manage to save an extra \$10 a week this year to add to your plan: \$520 for the year. Invested over 30 years at an 8% annual return, that \$520 will grow more than 900%—to \$5,232. This example is hypothetical and does not represent a specific investment.

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