

Build Up Your Savings

If the recent bear market has depleted your savings or you got a late start putting money away for retirement, there are ways to help make up that lost ground. Don't wait for another bull market to do that for you. Here's what you can do now to try to unscramble your nest egg.

Be Realistic

Back in the go-go days of the late 1990s, stock markets churned out multiple years of eye-popping returns. But those returns were extraordinary. History shows that long term average annual returns have been significantly lower. So make your retirement plans based on a more realistic long-term return—instead of hoping for returns that are unusual.

Save Your Money

Many experts suggest that your retirement savings goal should be to save 10% of your salary. If you're trying to make up for lost time, 15% would be even better. Of course, your savings goal may be less than that. If you're having trouble saving enough—however much it is—see if you can figure out where your money is going.

Analyze Your Spending Habits

Keep tabs on all your spending for at least a week—a month is preferable. Keep a notebook and jot down everything you spend money on—from the commute to work to dinner out on Saturday night. Look at how much you spend in total—and then look at how much you spend on frills. Then sit down with the rest of the family and see where you can cut back. The closer you can come to saving that 10%, the more likely you are to reach your long-term goal of achieving a financially comfortable retirement.

Pump Up Your Returns

You probably shouldn't invest 100% in aggressive growth stock funds in hopes of making up your losses of the past three years because of the very real risk of further losses. Neither should you shift everything into cash equivalent investments in the name of security, because the after-inflation return may be very low. For example, one-year certificate of deposit (CD) rates these days are drastically low—and that's before inflation and any taxes you might owe.

Have an asset allocation strategy that's appropriate for your age and risk tolerance—the blend of stock, bond and cash funds that you feel will do the best job of building up your retirement nest egg. If you have recently allowed your cash equivalent funds to grow, use new contributions to add to both stock and bond funds. Stocks, bought at depressed prices today, may return more in the long term than CDs or cash funds.