

## Save It, Keep It!

It's nearly impossible to save too much for retirement. As people live longer and enjoy more active retirements, they'll need significant savings. Here's a retirement saving strategy that can help you.

### **Contribute to the Max**

You can contribute up to \$16,500 this year to an employer-sponsored retirement plan—\$21,500 if you are age 50 or older. That may seem like a lot of money, but consider this:

- Your contribution is automatically withdrawn from your paycheck before taxes are taken out, reducing the negative impact on your take-home pay.
- If you don't contribute at least enough to earn your employer's match, if available, you're leaving money on the table.
- Once invested, your money compounds tax deferred until you begin taking withdrawals in retirement. Your earnings can enjoy decades of tax-deferred growth.

### **How to Pay for a Bigger Contribution**

Even if you can't afford to contribute the maximum, save what you can. Then develop a plan for contributing more whenever you're able.

Review your spending to see if there are extras you can live without. Add up what you spend on fancy coffee and going out to lunch. You might consider renting movies instead of taking a trip to the theater.

### **A Few Ways to Save More**

Have you considered refinancing your mortgage? Can you pay down credit card debt? Once debt is diminished, you may free up more of your income to be directed to your retirement plan.

Shift all financial windfalls, such as tax refunds and bonuses, to your everyday living expenses, so more of your salary can be saved. If you are getting big tax refunds, you may be over-withholding. File a new W-4 form with your employer so that less is withheld and more can go toward your retirement plan.

### **Keep Your Money Working for You**

Resist the temptation to borrow from your retirement plan, even if your employer permits it. To take advantage of the benefits of compounded earnings, your tax-deferred contributions need to stay in your retirement plan.

If you have money in a former employer's retirement plan, consider moving it into your current company's retirement plan to take advantage of plan features and investments that may not have been available to you before. Or, open a Rollover IRA to keep the tax deferral going. Try to resist spending any of your retirement savings before retirement. You'll owe taxes and possibly penalties if you do.

### **Contribute More if You Can**

If you *still* have money to spare even after maxing out your retirement plan contributions, consider

taking advantage of another tax-deferred retirement savings vehicle: an IRA. You can add even more each year if you are age 50 or older.

You might choose a Traditional IRA, which may allow you to deduct your contributions but requires you to pay taxes upon withdrawal. Alternatively, consider a Roth IRA, which offers no initial tax deduction but allows you to make tax-free withdrawals once certain requirements are met. You may want to consult with a financial advisor to help you decide which is best for your situation.

There's no single best way to save for retirement. Your strategy will be based on your own goals, your time horizon and your tolerance for risk. Make the most of the benefits of tax deferral offered by both retirement plans and IRAs.

Whatever the exact details of your retirement plan, you can be sure that the more you save, the more enjoyable your retirement is likely to be.

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