



# focus on Retirement

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## 10 Ways to Prepare for Retirement

Research has shown that fewer than half of Americans have calculated how much they need to save for retirement. In 2012 alone, 30% of workers that had access to a 401(k) plan through their employer did not participate! Since the average American spends 20 years in retirement, putting money away for retirement now is very important. Below are a few ways to help Americans prepare for retirement:

1. Start saving, keep saving, and stick to your goals! You know that saving is a rewarding habit. If you're not saving, it's time to get started. Start small if you have to and try to increase the amount you save each month. The sooner you start saving, the more time your money has to grow. It's never too early to start saving.
2. Know your retirement needs. Retirement is expensive! Research how much you need to save to maintain your standard of living when you stop working. Take charge of your financial future and plan ahead.
3. Contribute to your employer's retirement plan. When you do this, your taxes will be lower, the company may give a matching contribution and the compounding interest will make a big difference in the amount you will accumulate.
4. Consider basic investment principles. How you save is just as important as how much you save. Learn about your plans investment options and ask questions. Diversify your invest-

ments! Financial security and knowledge go hand in hand.

5. Put money into an Individual Retirement Account (IRA). Did you know that each year you can put up to \$5,500 into an IRA. That number is even higher for people over the age of 50. Many people forget about IRA's, but contributing to an IRA also provides tax advantages.
6. Don't touch your retirement savings! As tempting as it is, withdrawing your retirement savings now lowers how much you will have at retirement, not to mention the tax consequences

and withdrawal penalties that come along with it.

7. Find out more about your Social Security benefits. On average they equal about 40% of what you earned before you retire. Waiting a few years longer to begin claiming Social Security also has its benefits. The longer you wait to begin claiming Social Security, the higher your monthly social security income will be!

8. Invest in staying healthy!

Staying healthy will cut down on out-of-pocket medical costs in retirement.

9. Pay down that pesky debt! Going into retirement with as little debt as possible, means you have more of your retirement income to enjoy.
10. Last but not least, ask questions! Talk to your employer, your bank, your financial advisor. Ask questions and most importantly, make sure you understand the answers. Learning as much as you can and taking advantage of the resources available to you are key in preparing for retirement.



# Back to School

Let's get back to basics with some simple financial literacy questions. Do you think you have a good idea about how money works? Do you want to prove it? Take this quiz offered by the FINRA Investor Education Foundation.

1. Suppose you have \$100 in a savings account earning 2 percent interest a year. After five years, how much would you have?
  - A. More than \$102
  - B. Exactly \$102
  - C. Less than \$102

2. Imagine that the interest rate on your savings account is 1 percent a year and inflation is 2 percent a year. After one year, would the money in the account buy more than it does today, exactly the same or less than today?
  - A. More
  - B. Same
  - C. Less

3. If interest rates rise, what will typically happen to bond prices?
  - A. Rise
  - B. Fall
  - C. Stay the same

4. A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage but the total interest over the life of the loan will be less.
  - A. True
  - B. False

5. Buying a single company's stock usually provides a safer return than a stock mutual fund.
  - A. True
  - B. False



If your mind shut down after seeing the numbers in the first question, you're not alone. (You can see the correct answers below.) Only 14 percent of Americans surveyed in FINRA's National Financial Capability Study, which surveyed over 25,000 adults in 2012 and 2009, got all of the answers correct on the quiz.

For a full explanation of the answers, you can visit FINRA's site at <http://www.usfinancialcapability.org/quiz.php>. If you score poorly, take the motivation to brush up on your math and financial skills since it could make a big difference in how well you manage your money.

Answers—1. A 2. C 3. B 4. T 5. F

*"To enjoy a long, comfortable retirement, save more today."*

*- Suze Orman*

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