



Feature

Plan for Your Financial Future Now

By Mahsa Khalilifar

Working a lot of hours and a lot of days? Yes, that is the American way for you. But how can you eventually enjoy the benefits of those long shifts and live out a fantasy splurge or two? By beating the clock—the retirement clock, that is—and getting a head start on your savings.



No matter what type of job you have, you need to find a way to save money and plan for the future. Most of us even need to plan for our children's futures. The National Endowment for Financial Education and the U.S. Department of Labor offer a wealth (no pun intended) of advice on how to save

money and ensure a stable financial future once you retire. Below are 10 tips that will prove to be very useful, courtesy of www.smartaboutmoney.org:

1. Know your retirement needs.

Retirement is expensive. Experts estimate that you'll need about three-fourths of your pre-retirement income (lower earners will need more) to maintain your standard of living when you stop working. Understand your financial future.

2. Find out about your Social Security benefits.

Social Security pays the average retiree about 40% of pre-retirement earnings (higher earners will get less). Every year, the Social Security Administration mails "Your Social Security Statement" to current workers aged 25 and older who are not already receiving Social Security benefits approximately three months before the recipient's birthday.

Contact the Social Security Administration at 800-772-1213 to request a free copy. Or you can estimate your Social Security benefits using one of the online calculators at www.ssa.gov/planners/calculators.htm.

3. Find out about your employer's pension plan.

If your employer offers a pension or profit-sharing plan, check to see what your benefit will be worth. Before you change jobs, find out what will happen to your pension. Find out about

any benefits you may have from previous employment. Will you be entitled to any benefits from your spouse's plan?

For a free booklet on private pensions, call the U.S. Department of Labor at 866-444-3272.

4. Contribute to a tax-sheltered retirement plan.

If your employer offers a tax-sheltered plan, such as a 401(k), sign up and contribute all that you can. Your taxes will be lower, your company may kick in an additional amount, and automatic payroll deductions make it easy. Over time, tax deferral and compounding can make a big difference in the amount of money you accumulate.

5. Ask your employer to start a plan.

If your employer doesn't offer a retirement plan, ask about starting one. Two plans, Simplified Employee Pensions (SEPs) and Savings Incentive Match Plans for Employees (SIMPLEs), are designed specifically for smaller businesses.

For more information, order Internal Revenue Service Publication 560, "Retirement Plans for Small Business," by calling 800-829-3676, or visit www.irs.gov/pub/irs-pdf/p560.pdf.

6. Start an Individual Retirement Account.

You can contribute up to \$4,000 per year to an Individual Retirement Account (IRA) and delay paying taxes on your earnings until retirement age. Depending on your income, you may also be able to take a tax deduction for your IRA contributions. (Any withdrawals prior to age 59½ may be subject to taxes and penalties.)

For more information on IRAs, order Internal Revenue Service Publication 590 by calling 800-829-3676, or visit www.irs.gov/pub/irs-pdf/p590.pdf.



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7. Don't touch your retirement savings.

Resist the temptation to dip into your retirement savings. You'll lose the earnings that would otherwise accumulate on the amount you withdraw, and you may also lose tax benefits. If you change jobs, leave your retirement money with your former employer, roll it over into your new employer's plan, or roll it into an IRA.

8. Start now, set realistic goals and expectations, and stick to them.

Get time on your side by starting now. The sooner you start saving for retirement, the more time your money has to work for you. Set goals, develop a plan, and stick to it. View short-term market swings in the context of your long-term plan. If you set your expectations too high, you may fail to reach your goals. See "Investing for Success: Developing Realistic Expectations" for more information.

9. Be an informed investor.

How you save can be just as important as how much you save. Know how your retirement money is invested. Understand the effects of risk, fees, diversification, and inflation on your retirement earnings. See "Investing for Success: The Importance of Being an Informed Investor" for more information.

10. Ask questions; take action.

Ask questions about your retirement plans, about the people managing your money, and about the progress of your investments. Ask yourself, "Why does this investment make sense for me? How will it help me meet my goals? Have my goals changed? If so, does this investment continue to make sense?" If not, take appropriate action.

Good luck with your financial ventures, and remember to spend wisely now; your future counts on it!

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