

Your Retirement Income -- Will You Have Enough?

Could you live on \$1,300 a month? That's about what the average retired worker receives from Social Security today. You're probably going to need a lot more than that to live on when you retire.

How much more? One rule of thumb is to figure you'll need 70% to 80% of the income you expect to be earning at the time you retire. And you could need that income for a long time.

On average, a 65-year-old man in the U.S. has a life expectancy of close to 83 years, and a 65-year-old woman can expect to celebrate her 85th birthday.

Don't assume that all of your expenses during retirement will be lower. Your health care expenses, for example, could be quite significant. A married couple retiring this year may need over \$200,000 in savings just to cover future health care costs.

So, where will the rest of your money come from? Unlike in the past when many workers retired with a steady pension from their employer, today very few private companies provide pensions. And Social Security currently replaces only about 40% of the average worker's income after retirement. You're going to have to fund the rest of your retirement income on your own. Have you thought about how you're going to do that?

Some people plan to just keep working well past traditional retirement age.

But you never know what the future holds. Your health or the health of a loved one might make continuing to work difficult. Or, you could lose your job and have trouble finding a new one.

Your best source of retirement income is you. Saving regularly can help you build up a substantial source of future income. To help you set a savings goal, think about how much retirement income you might need your savings to provide.

For example, for an annual income of \$25,000, you might need to accumulate nearly \$352,000. For an annual income of \$40,000, you might need \$564,000. Remember, these are just examples and they assume a 25-year retirement and a 5% average annual total return. Your situation could be different. When setting your goal, also consider that inflation could increase your income needs during retirement.

Contributing as much as you can afford to your employer's retirement savings plan will help you accumulate the savings you'll need. It's convenient, since your paycheck contributions are automatically deposited into your plan account. You can also set up an individual retirement account or an investment account and contribute to that as well.

The sooner you start saving, the better. But it's never too late to get into the habit. If you have any questions, your employer's plan has information available. You can also talk to a financial professional to find out more.

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