

How Much is Enough? Do the Math.

If you're like some people, you may have spent more time in the past year planning your vacation than planning for retirement. Retirement will probably be the largest financial event of your life. By taking the time today to plan and save, you can determine how well you will live in retirement.

To get a rough estimate of how much you will need to maintain your lifestyle in retirement, try this quick exercise. While it's only an estimate and individual situations may vary, it will give you an idea of how much you should be saving.

1. Take your current salary and round it up to the next whole \$5,000.
2. Determine how much of your current salary you will need in retirement and what will be replaced by Social Security and your pension. To keep it simple, let's assume that 75 percent of your income needs will be replaced by Social Security, pension and other income, leaving 25 percent you must make up through personal savings. Multiply that percentage by your rounded annual salary.
3. Multiply the result by 20, the average number of years you can expect to live in retirement. You now have a rough estimate of what you need to save between now and retirement.
4. Multiply this number by the annual savings factor below and the result is your annual savings target.

Your annual savings target probably seems high, but don't panic. Any amount you can save today will go a long way. What's more, this simplified estimate doesn't take into account how much you already have saved or the growth of your investments.

Retirement Needs Worksheet

| | |
|--|-----------------------------------|
| Your current salary rounded to the next whole \$5,000 | \$ _____ |
| Estimate percentage needed in retirement (x 25%) | = _____ |
| Multiply by 20 (average number of years in retirement) | = _____ |
| Multiply by Savings Factor** | = _____ |
| | (amount you should save per year) |

**Savings Factor

| Years to Retirement | Annual Savings Factor |
|---------------------|-----------------------|
| 3 to 8 | .20 |
| 9 to 14 | .075 |
| 15 or more | .05 |

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