Wondering About Retirement
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Some day most of us will want to retire or at least, Father Time will make us slow down. Will you be ready? Or, will you be like Henny Youngman who once said, "I have plenty of money for retirement, if I die by 4:30 tomorrow afternoon."

According to a recent Retirement Confidence Survey, 60% of those age 60 and older have saved less than $100,000 for retirement. That does not leave much time to prepare for a retirement that could last 30 years. And, of course, the recent volatility of the financial markets exaggerates the problem.

Are you a bit behind in saving for retirement? There are basically four adjustments that can help you play catch up and help you make the most of you final working years.

First consider working longer than you planned.

There are many advantages to working past your planned retirement age, whether it is on a full or part-time basis. One big advantage is fewer years of retirement that have to be fully funded. Each year of fully funded retirement takes a large chunk out of your retirement savings. This is especially true for the years before age 62, the age of social security eligibility.

The longer you work, the longer you accumulate savings for retirement. Not only are you and perhaps your employer continuing to contribute to your retirement program, your past investments are continuing to compound.

Your Social Security benefits grow larger the longer you and your employer contribute and the longer you delay starting them. Too many times we discount the affect Social Security plays in our retirement. You and your employer have invested a great deal in your Social Security Plan. The average retiree must cash in on that investment to have a comfortable retirement.

One of the major concerns for retirees is the cost of health care. The longer you stay eligible for health insurance through your employer, the less the concern. This is especially true until the age of 65 and becoming eligible for Medicare.

The longer you work, the longer you are contributing your experience and skills to society. A byproduct of this is you are avoiding the feelings of boredom and a sense of no daily purpose. Studies today seem to point to this as a source early aging and perhaps earlier death.

Contribute More to Your Retirement Plan

One reason to Increase your IRA or 401k contributions may be to reduce your current tax bill. However, even more important is the fact that contributing more may make your retirement goals possible. For 2012, you can contribute up to $17,000 to a 401K. An additional $5,500 in catch up contributions can be made by those age 50 and older. That’s a total of $22,500. Up to $5,000 can be contributed in 2012 to an IRA or a total of $6,000 for those 50 or older. For those that are eligible that’s $12,000 for you and your spouse. Add that each year to your already compounding retirement plan total. You will see the difference a few years of added employment can make.

Next you will want to consider downsizing your goals and expenses.

If your gross income goal for retirement is $100,000 a year, you must have approximately $1,666,666 in retirement assets averaging a 6% return. If you can cut this goal to $70,000 a year, approximately $1,166,666 is needed. We have downsized your total retirement balance need by $500,000. Of course this makes your retirement goal much easier and realistic to achieve.

A classic example of downsizing in retirement is to sell your current home to purchase a less expensive home. This can be done by moving to a smaller home or by moving to a less expensive community. The benefits can be many. The most important benefit is reducing or eliminating your mortgage, if you have one. In retirement it is always a good idea to reduce or eliminate debt and its payments.

If by eliminating debt or by creating a nest egg with the sale of your more expensive home, allows you to take less from your qualified retirement plan, you are saving tax dollars too. Every dollar you take from your traditional IRA or 401K has been tax deferred and becomes taxable as you withdraw it. If properly planned, downsizing your home can decrease many expenses including home and yard maintenance, property taxes and insurance costs.

Last and Far from Least, Your Asset Allocation may need to be changed.

Does your asset allocation (investment blend) reflect your time horizon and investment goals? One philosophy is that the farther from your retirement goals, the more risk you must take. Of course the more risk you take the more the chance of loss, the less chance you have of reaching your retirement goals. The wiser philosophy is, the closer you are to retirement the more conservative you may want your investment mix to be. You have less time to weather possible market fluctuations. However, if retirement is several years away, a more aggressive portfolio mix may help take advantage of potential market gains. The proper asset allocation (investment mix) may increase your return, decrease your risk, or perhaps both. Get with your investment advisor to see if your asset allocation fits your stage in life, your goals, your assets and most of all your tolerance for risk.

A comfortable retirement doesn't happen by accident. The comfort of your retirement depends on the prudent investing and sound financial management you do now. This is especially true in the critical years when your earning power is at its peak and in years leading up to retirement.

The management of your retirement investments and other finances do not stop at retirement. You investments must be aggressive enough to outpace inflation and conservative enough to last a lifetime.