What is your idea of the perfect retirement? Actively saving today will help you put away the funds needed to reach some or all of your retirement goals.

Retirement Goals: Plan Now, Play Later

You could enjoy more than 15 years of retirement. The average life expectancy in the U.S. for someone who is 65 years old today is now 17.5 years—six years longer than it was in 1935. Most elderly Americans today rely on Social Security as the major source of their retirement income. In Vermont, the average monthly benefit paid to a retired worker is $945.* As you consider your own plans, will a thousand dollars a month or $12,000 a year be enough money to comfortably support yourself in retirement?

One way to answer this question is to look at your current lifestyle and the amount of income it requires. Consider how many of your existing expenses you’ll still have to pay in retirement. How many new expenses might you have — particularly ones associated with your medical care? It’s estimated that you will need, on average, approximately 70 percent of your current income in retirement to maintain your present standard of living. Chances are that $12,000 a year will not be enough.

If you’re not already saving for retirement, it’s time to start. This financial education fact sheet will give you some suggestions on how to begin putting money away. The State Treasurer’s Office also has grouped resources together for you on saving for retirement. You can find these resources by going to www.VermontTreasurer.gov. Click on the financial literacy link. For a direct link to the financial literacy pages, go to www.MoneyEd.Vermont.gov. Here are some suggestions for starting and maintaining an effective savings plan.

Look at where you are currently spending your money. Most people will agree that it’s a good idea to save money. However, many people struggle with where the money is going to come from to regularly invest in retirement savings. One tool you can use to identify savings dollars is to keep a spending diary. It doesn’t have to be fancy. It may just be a piece of paper you keep in your wallet or purse. As long as you can read what you are writing down, it will work. Ideally, you should record in your diary for one month. At the

Saving A Little Goes A Long Way

A key to successfully starting and continuing a savings plan is determination and consistency. One way to motivate yourself is to look at how taking small steps to save now can grow into big returns later. You might be surprised at how quickly your savings can grow if you do without a few “extras” each month. Thanks to compounding interest, you can quickly grow a tidy nest egg.

If you forego a weekly dinner out for two at an average cost of $50, that’s $200 a month.

$200 earning 5% rate of return over 10 years = $31,186

If you forego premium cable TV subscription at a monthly cost of $80.

$80 earning a 5% rate of return over 10 years = $12,474

If twice a month you forego, movie and popcorn for two at an average cost of $32, that’s $64 a month.

$64 earning a 5% rate of return over 10 years = $9,998

If you forego purchasing a daily $1 lottery ticket, that’s $30 a month.

$30 earning a 5% rate of return over 10 years = $4,678

Information courtesy of “Taking the Mystery Out of Retirement Planning” from the U.S. Department of Labor.

very least, maintain a diary for one week and then multiply the amount you spend times four to see what your monthly spending habits are. Start your diary at the beginning of a pay period. Write down all of your monthly fixed expenses such as your house payment or rent, car payment, electric bill — those expenses that you must regularly pay and that, basically, don’t change. If you’re paid twice a month, list those fixed expenses that are paid out of each paycheck. Your diary entry might be, “$550, rent, 1st paycheck” or “$85, phone bill, 2nd paycheck.”

**Start tracking.** With your set expenses out of the way, it’s time to track your discretionary expenses — those items you make a decision on every month. One example is how much you spend on food. Some months you may spend more on eating out or snacks. Write down the dollar amount you spend, WHEN YOU SPEND IT. Write down what you spent the money on. Keep it simple. Your entries may just be, “$1.45, coffee.” The point is to track your spending habits. If you go to the gas station and buy other items besides gas, your diary entry may be, “$18.50, gas; $4.50, snacks.” If your child asks for money for a school expense, your diary entry may be, “$5, John-school.”

**Examine your spending habits.** At the end of your tracking period, take a highlighter and mark those expenditures that are not essential. Non-essential purchases mean those things that you decide you could have lived without. For example, if you didn’t need to buy the giant 32 oz. soda, highlight it. Rank-order the items you’ve marked as non-essential. If you had to give something up, what would be the first thing you would cut? Mark that item with a number one. Continue through your highlighted list and number the diary entries from those you would cut first to those you would cut last. **Take a look at the impact** of saving some of the money you highlighted. Depending on where you place your retirement savings, the interest you’ll earn on that money can begin to impressively add up over time. (See box, other side.) When you put money away for retirement savings, you are usually investing your money in a fund or plan where it will be kept for many years. For example, if you put away $50 each month for 25 years and that money earned 8 percent interest, you would add almost $50,000 to your retirement nest egg.

**Pay yourself first.** If you have a workplace plan available to you, you may be able to have money automatically deducted from your paycheck into the retirement plan. Talk to your employer about what your options are. An automatic deduction makes it easier for you to “pay yourself first” before you’re tempted to spend the money on other things. Also, depending on the plan, your money can be put aside before you pay tax on your income. If you’re working to just begin a savings account, consider having a savings deposit automatically withdrawn each month from your checking account. Select an automatic savings withdrawal date that is just a day or two after your paycheck is deposited.

**Determine where your savings should be invested.** Participating in a workplace retirement savings plan is the easiest option for many people. However, if you don’t have a plan available to you at work, check with the community or professional organizations you are a member of. One membership benefit may be the availability of retirement savings plans. Other resources include local financial institutions. Vermont’s Department of Banking, Insurance, Securities & Health Care Administration maintains an on-line database that you can search to locate businesses in Vermont that offer retirement savings products. The box above lists one way to access this on-line resource.

**Watch your money grow.** Keep in mind that the money you are saving and investing now will be earning income for you until you withdraw it. As your money grows, consider setting specific goals for your retirement. Write down some of the things you hope to do when you retire. Envisioning these positive long-term goals can be a powerful way to motivate you to continue saving for your future.