



Why Should You Start Saving for Retirement Now?

You are busy dealing with life's day-to-day issues. To you, retirement may seem like a long way off. But preparing now for your financial future is essential because what you do *today* can help ensure a secure retirement *tomorrow*.

Although time may be on your side, there are four factors you will need to consider when planning for your retirement.

1. **Inflation.** You may be aware that, over time, inflation can erode your savings. But, many people don't realize the potentially serious effects of inflation. At 3% inflation, \$100 today will be worth only \$67.30 in 20 years—a loss of one-third of its value. At 35 years, this amount would be further reduced to just \$34.44. Thus, it is important to seek retirement savings vehicles that have the best chance of outpacing inflation.
2. **Taxes.** Your present income level, tax bracket, and the types of tax-deferred retirement savings plans that are available can all play an integral part in how much money you can save for retirement. By maximizing your pre-tax contributions to employer-sponsored plans and **Individual Retirement Accounts (IRAs)**, you can take advantage of the tax-deferred benefits of such plans.

3. **Compound Interest.** Becoming a disciplined saver is one of the key components of retirement plan success. By making regular contributions to your employer-sponsored retirement plan and your IRA, you can maximize the power of **compound interest** (the interest earned not only on the initial principal, but also on the accumulated interest from prior periods). With consistent contributions, your retirement savings have a greater chance of accumulating to meet your long-term goals.
4. **Personal Savings.** Considering the effects of inflation, it is possible that your retirement plan income may fall short of your needs, especially during a long retirement. Furthermore, Social Security generally provides only a base level of retirement income. Thus, to avoid a potential shortfall, start planning to supplement your retirement income with personal savings.

While understanding these principles is no guarantee of future success, they can get you started down the right path. The sooner you recognize the effects that economic forces can have on your retirement income, the more likely you may be to adopt strategies that can help you achieve your long-term objectives. Being proactive today can help increase your retirement savings for tomorrow.