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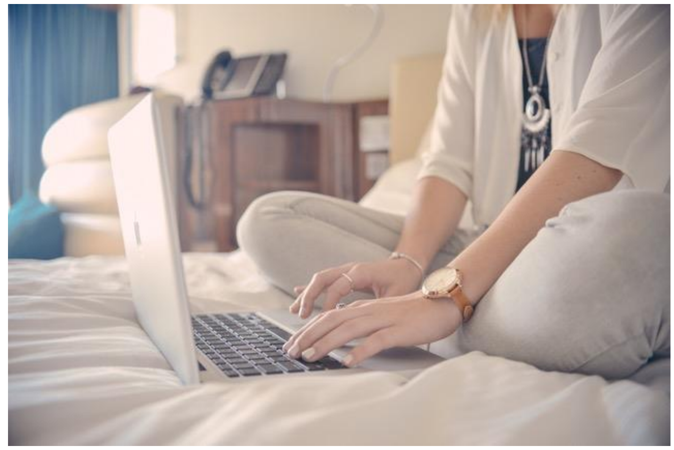
Give Your Retirement Savings Plan a Check-Up



You opened an IRA or 401(k) account shortly after joining the workforce. You've contributed regularly, a percentage of every paycheck going toward that nest egg... but you haven't touched it since. Saving for retirement is not a "set it and forget it" endeavor. It is a process that requires periodic re-evaluation and adjustments. Here are a few questions to consider when you give your retirement savings plan a check-up.

How much am I saving?

Experts recommend saving 10 percent of your annual income towards retirement for the first decade of your career. After that, increase your contributions to 15 percent of your annual income. To calculate if you're on track, there are three general benchmarks: 1.) By age 35, you should have the equivalent of your annual income in savings; 2.) By age 45, aim to have three times your current annual salary saved up; and 3.) In your final years in the workforce, you should have at least eight times your final salary in your nest egg.

How much risk am I taking on?

Another danger of never adjusting your retirement plan is that you could end up losing a big chunk of it. Typically, the younger you are, the riskier the investments in your retirement portfolio. This is because the potential for higher returns outweighs the risk of losing money because you have enough time to make up any losses prior to retiring. As you get closer to exiting the workforce, that balance shifts. Talk with your plan administrator and reassess your risk tolerance every 10 years to ensure that you're not taking on more than is advisable for your situation.

What will I owe Uncle Sam?

Finally, when evaluating the state of your retirement plan, be sure to factor in your current tax bracket as well as the bracket you expect to be in when you retire. If you're in a lower bracket now, make larger contributions to any Roth accounts you have, since with that type of account the tax is taken out as you pay in. With traditional retirement accounts, taxes are paid when you withdraw. Roth accounts are especially valuable to younger workers, as they are more likely to climb into higher tax brackets as they age, meaning they would owe more in taxes on the same amount of money later in life.

If you're still not sure where you are with your retirement savings, or want to learn how you can start saving more, talk to you banker or financial advisor about your options.