

The 12% Savings Goal

Most people need to save more — often a lot more — to build a nest egg that can meet their needs. Many financial experts recommend putting away 12 to 15 percent of your pay for retirement. There is a relatively painless way to reach that goal.

Take small steps

- Begin by contributing enough to receive your employer’s matching contribution.
- Consider gradually raising your contribution amount to 12 percent or higher.
- Raise your plan contributions once a year by an amount that’s easy to handle, on a date that’s easy to remember—say, 1 percent on your birthday. Thanks to the power of compounding (the earnings on your earnings), even small, regular increases in your plan contributions can make a big difference over time.



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A little more can mean a lot

Let's look at Minnie and Maxine. These hypothetical twin sisters do almost everything together. Both work for the same company, earn the same salary (\$30,000 a year), and start participating in the same retirement plan at age 35. In fact, just about the only difference is their savings approach:

Minnie contributes 2 percent of her pay each year. Her salary rises 3 percent a year (and her contributions along with it), and her investments earn 6 percent a year on average. So, after 30 years of diligent saving, Minnie will reach retirement with a nest egg worth \$68,461.

Maxine gets the same pay raises, saves just as diligently, and has the same investments as her sister—except for one thing: She starts contributing 2 percent, but raises her rate by 1 percent each year on her birthday until she reaches 10 percent. She will keep saving that 10 percent for the next 22 years, until she retires by Minnie's side.

Maxine tells Minnie that she's never really noticed a difference in take-home pay as her savings rate rises. Instead, she looks forward to having \$285,725 in her retirement fund by age 65.

Think ahead and act now. To increase your deferral percentage, contact your HR department today.

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