Millennials – The Time to Start Saving is Now!

Typically, younger people don't make retirement savings a priority. Living expenses, student debt, rent or house payments, and other day-to-day expenses mean that retirement savings take a back seat. In fact, research from National Institute on Retirement Security says that 66 percent of millennials haven't saved any money for retirement, and 66 percent haven't started saving.[1] That attitude, however, will make it much more difficult to have a secure retirement later, according to seasoned retirement plan advisors.

The main thing that millennials are sacrificing by not saving now is time. Time allows funds to grow through compounding, and that can turn relatively modest savings into much larger nest eggs. For example, saving $50 each month in a retirement account earning 6.5 percent annually and compounded monthly would generate retirement savings of $226,781 over 50 years. A millennial who starts saving the same amount 30 years later, allowing it to only compound for 20 years, would have only $24,525 at the end of the 20 years.[2]

And $50 each month isn't a huge amount, even for a cash-strapped millennial. Some other retirement savings tips include:

- Take full advantage of employer-sponsored retirement plans, like 401(k) or 403(b) plans. Funds contributed to these tax-advantaged programs grow free of taxes, which means more money stays in the account to generate interest.
- Contribute at least as much as your employer is willing to match. If your employer matches 3 percent of your salary, you should start by contributing that much.
    - Otherwise, you're "leaving money on the table." Your employer match instantly increases your contribution, and your money grows faster.
- Don't worry about not being an investment expert. Many retirement plans now offer target-date funds (TDFs). Also known as lifecycle or age-based funds. TDFs automatically adjust your investment assets as you age, so you don't need to balance your funds yourself.

One common objection millennials have about contributing to an employer-based retirement fund is that they may not stay with that employer. Actually, very few people stay with a single employer for their entire careers, and retirement plan funds can be rolled over into a new employer's plan or rolled over into an IRA if you leave your job.

For more information on joining the plan or increasing your deferral amount, please contact your Human Resources Department.

[1] Millennials Report, NIRS. https://www.nirsonline.org/wp-content/uploads/2018/02/Millennials-Report-1.pdf
[2] Simple Savings Calculator, Bankrate. http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx

[If you have questions about your withdrawal options as you near retirement, please Peter Raskin at [617.728.7433] or email at [Peter.Raskin@LFG.com].

[1] If the retirement plan allows.
[2] Partial, full or late retirement age is based on the year you were born. See ssa.gov for details.

[3] If a participant in a qualified plan is still employed and not a greater than 5 percent owner, they are not required to start minimum distributions from that plan until they retire.
Distributions before the age of 59½ may be subject to an additional 10% early withdrawal penalty.
Distributions and withdrawals are subject to ordinary income taxes.
Source: Principal Financial Group

Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss of principal due to changing market conditions.

Dollar cost averaging does not assure a profit and does not protect against a loss in declining markets. This strategy involves continuous investing; you should consider your financial ability to continue purchases no matter how prices fluctuate.

Prior to rolling over, consider your other options. You may also be able to leave money in your current plan, withdraw cash or roll over the assets to your new employer's plan if one is available and rollovers are permitted. Compare the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment. Speak with your advisor regarding your situation.

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

To remove yourself from this list, or to add a colleague, please email us at Peter.Raskin@LFG.com or call 617.728.7433.

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