



For Baby Boomers, Late Saving Makes a Retiring Difference

Many baby boomers within 10 years of retirement age are facing this fact: they may not be able to afford the lifestyle they want later in life. If you are one of them, take heart. Experts agree that it is possible to make up for lost time. While specific recommendations vary, there is general consensus on the basic steps.

“First, get a handle on your financial situation,” advises William L. Anthes, Ph.D., president of the National Endowment for Financial Education® (NEFE®), a Colorado-based financial foundation. “Take an objective look at your current status and your long-term financial needs, and calculate the shortfall. With that information in hand, you can formulate a strategy that enables you to make up the difference.”

1. Determine your status.

Start by knowing your retirement costs. Track your spending for a few weeks and use an online calculator like the Ballpark Estimate Worksheet, offered by the American Savings Education Council (ASEC) at www.asec.org/ballpark, for comparison. Incorporate likely spending fluctuations; allow for adequate health insurance, including coverage for long-term care.

Next, list all your retirement assets, including your home, and the amount you will receive in pensions and Social Security payments. Ask former employers for a Pension Benefit Estimate as necessary, and contact the Social Security Administration or refer to your latest Social Security Retirement Benefit Estimate statement.

Subtract your retirement assets from the estimated goal amount; the difference is your savings goal.

2. *Take full advantage of existing options.*

Contribute as much as possible to workplace retirement programs, such as 401(k) or 403(b) plans. Be sure to save enough to receive the maximum employer match.

Capitalize on tax breaks for older workers. The 2001 federal tax law, which expires in 2010, includes special catch-up provisions for people born in 1952 or earlier; changes affect Individual Retirement Accounts (IRAs) and Roth IRAs, as well as workplace programs. Allowable contributions began increasing in 2002 and continue to climb.

3. *Shift your priorities.*

Cut your expenses, pay down debt and save more. Arrange for automatic deductions from your account, both to help you avoid the temptation of available cash and to ensure that money is invested at regular intervals (so-called *dollar cost averaging*). Each year, save an increasing percentage of your income. Diversify; spread your investments to balance risk.

Other options can include getting a second job, moving to a more affordable home, working a few years longer than you planned or working after retirement.

Above all: begin at once, be willing to sacrifice and stick to your plan. "While you may have waited longer than you should have to begin preparing for your later years, it's never too late to start," Anthes says.

Details on late saving strategies are available in the *Guidebook to Help Late Savers Prepare for Retirement*, which can be downloaded free from the NEFE Web site, at www.nefe.org. Also consult the Tools and Resources page of the ASEC site, at www.asec.org/tools/index.htm.

Additional resources include: *MONEY Magazine/CNN* at money.cnn.com; *USA Today* online at www.usatoday.com/money; Retirement Planning and the Golden Years, at www.retirementplanninggoldenyears.com; and AARP at www.aarp.org/financial-investsave.

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