Retirement Savings To Last a Lifetime

It's not always easy to know if you're saving enough for your retirement. Like most people, you're probably not sure. Here's how to get a general idea of whether your savings are on track to last throughout your retirement.

Plan for a Long Retirement

Your retirement could last over 30 years. And, thanks to improvements in health care, many retirees live healthy, active lives. So outliving your retirement income is a real concern. How long your retirement savings will last depends on how much you save, how you invest, and how fast you withdraw your money during retirement.

Set a Savings Goal

To figure out how much money you'll need to have for retirement, take a look at your current expenses. Many may be nonexistent when you retire, such as your mortgage, commuting costs, etc. So you might need only 80% or so of your preretirement income to live on. However, also look at what you're planning to do during retirement. Do you want to travel? Buy a vacation home? If so, you may need *more* income.

Once you figure out approximately how much annual retirement income you'll need, be sure to factor in inflation. Even a relatively low inflation rate will significantly increase the amount you need to save.

Multiplying the amount of annual retirement income you think you'll need by the number of years you expect your retirement to last will give you a very rough idea of how much you'll need to save. Of course, this quick estimate won't take into account potential investment earnings during your retirement years.

Reaching Your Goal

Now estimate how much your current savings will be worth when you retire. If you think you're going to fall short of your goal, you have several options:

- Start saving more.

- Invest more aggressively. Aiming for higher potential returns may help you reach your goal. But be sure your investments are adequately diversified.

- Adjust your planned withdrawal rate. If you can make do with less during retirement, your assets may last a bit longer.