How Much Should You Be Contributing?

Have you ever wondered if you're saving enough for retirement? Is there a specific percentage or dollar amount you should be contributing? To answer that question, you need to ask a few others.

What are your expectations?

What type of retirement lifestyle are you planning? If your vision of retirement includes lots of travel or expensive hobbies, you'll need to save more to finance your lifestyle than if your tastes are simpler. Similarly, if you'd like to retire early, you should plan to have additional savings to cover your expenses.

Will you have income from other sources?

Social Security isn't meant to be your only source of retirement income, but it can serve as a supplement to your savings. Check your Social Security statement for an idea of what your benefit may be. If you intend to work after you retire from your main job, it's okay to factor those earnings into your financial picture. But life is unpredictable, so you'll still want to have adequate savings.

How much will you need?

Once you've thought more about the kind of retirement you want, you'll be ready to set a savings goal. Basically, your goal should be the total amount of money you estimate you should have on hand when you retire. To set a goal, you will have to make certain assumptions about the expected growth rates of your investments, inflation, and how long you'll be retired. Be sure to use any plan-provided tools that are available to help you calculate a savings goal. You also may want to talk with a professional advisor.

How much time do you have?

The more years you have left to save, the less you'll need to set aside each month to reach your goal. If you didn't get an early start on saving, starting now to do more for your future is the next best thing. Once you're used to paying yourself first by saving in your employer's plan, you can add more to your retirement savings by increasing your contribution whenever you can (within the limits of your plan). For example, you might want to contribute part of any pay increases you receive. At least once a year, check your progress against your goal and adjust your contribution amount if necessary.

Going from Zero to $100,000

Monthly Contribution

If Investment Return* Is:	3%	5%	7%	9%
10 Years	$716	$644	$578	$517
20 Years	$305	$244	$192	$150
30 Years	$172	$121	$82	$55
40 Years	$108	$66	$39	$22

* Refers to average annual total return, compounded monthly. This is a hypothetical example used for illustrative purposes only. It does not represent any specific investment product and does not include any investment fees and expenses. A single compounded rate of return is unlikely, as rates will vary over time, particularly for long-term investments. Withdrawals of tax-deferred accumulations are subject to ordinary income tax, and withdrawals prior to age 59½ may be subject to an additional 10% federal penalty. Source: NPI