Foreword by Teresa Heinz Kerry

What Women Need to Know About Retirement

A joint project of the Heinz Family Philanthropies and
The Women's Institute for a Secure Retirement

Edited by Jeffrey R. Lewis and Cindy Hounsell

Foreword

By Teresa Heinz Kerry

There is great beauty, and great valor, in every woman's struggle to leave her mark on this world. We all know the women and the stories: The bravery of a single mother juggling two jobs; the strength of a grandmother who still goes to work every day to help raise her grandchildren and save enough to one day retire; the amazing grace of our aunts and sisters and best friends fighting to overcome breast cancer or another illness. The poise of every young woman who refuses to listen to the ads and institutions that tell her she is only valuable if she is blonde, and thin, and perfect.

We must celebrate these women's stories and what they tell us—that we are not alone, and that we can change the way things are. Today, at the start of the 21st century, when a woman decides to take her finances into her own hands, and to provide for a secure and comfortable and dignified retirement, she is confronted with having to make many complicated choices and many difficult decisions. And it's not surprising, then, for a woman to feel overwhelmed, alone and on her own.

This book and its authors are here to tell all working women two important things. First: You Can Do It. Second: You Are Not Alone. We are here to share the practical wisdom gained from experiences like yours, to help you take control of your life and prepare for your retirement.

We have to help each other prepare so that you, your mother, your sister, your daughter, your best friend, won't end up like so many elderly women today who are living in poverty and despair and disrespect. Many of these same women lived comfortably before retirement. Poverty in our country has a distinctly feminine face. The largest growing segment of our population is poor, elderly women.

We shouldn't let this happen in our lives. We must take charge and have faith that in unity there is strength, in knowledge there is power, and in our action there is a future.

Over the last several decades, women across generations have knocked down barriers in the workforce. Today we are doctors and lawyers and CEOs. We build cars and ships and machines and microchips. We design new products that protect our environment and our health. We tend to the sick and cure diseases. We drive trucks in wars. We are senators and governors. We are waitresses and chefs. And at the end of the day, we are still the caretakers of every home — the glue that keeps things from spinning into chaos. When our children, our spouses, or our parents need care and caregiving, we are called on and we are there.

This is what we have accomplished together after decades of hard work. And this hard work must continue in order to achieve equal pay, pensions, and the chance to be caregivers and not be penalized for it in retirement.

Today, our retirement system still functions as if most of the workers in America were men. But with 69 million women in the workforce—and 10 million of them the sole breadwinners in their families—it is time and past time to bring our retirement policies into the 21st century.

Women must do what we do best: take charge ourselves. The question is how. How do you juggle and try to balance one more thing when you are already so heavily burdened? How do you plan for 30 years down the road when you'd be happy getting through the chaos of the day: getting the kids to school, getting to work, and getting home at night?

I hope this book provides you with some answers. They aren't quick fixes, but they will help you get on a path to economic security. I have reached out to some of the most passionate and dedicated people and asked them to focus on writing clear and comprehensive chapters about different aspects of personal finance and retirement planning.

The financial security of women is something I have cared about for more than a decade. It is very personal. After losing my first husband, John Heinz, in a plane crash in 1991, I felt overwhelmed and helpless. Fortunately, I did not have to worry about financial problems. But I began to think, "What if my circumstances had been different? There are many who feel the way I do but few who are as fortunate. What can be done for those who find hardship behind each door?" That was the beginning of a personal commitment and vision for me.

That is why, a decade ago, I established the Women's Institute for a Secure Retirement (WISER) as part of the Heinz Family Philanthropies' efforts. We have now reached millions of women with timely and practical information about their financial rights and opportunities. We continue to lead efforts in Washington to change the laws that discriminate against women and saving.

At WISER, we have learned that most people—and most women—simply don't know the facts about women and retirement. For example, women still earn only 77 cents to a full-time working man's dollar.

Two-thirds of all working women earn less than $30,000 a year in jobs without pensions. Over a lifetime, women will spend 27 years in the workforce, while men will spend almost 40 years. Because women will leave the labor force to have children and care for family members, women retirees (and only the lucky ones at that) will receive about half the pension benefits retired men can count on. This also means a smaller Social Security check for women—who often count on it for the lion's share of their retirement income. Women live longer than men, which means they have to think about extended health care and long-term care costs.

It may seem that the decks are stacked against women. But once we understand and state the obvious differences between men and women when it comes to the workforce and retirement, we can begin to fix the problems they present. You have already started to do

something by picking up this book, because this book tells you what you need to know. This book will tell you what you can do to start saving, and be your map for navigating the mazes of pensions, Social Security and Medicare. And it is important to reiterate that it is still important to save, even a little, while you are paying off your student loans.

A lifetime of hard work should bring economic security and the resources to enjoy a retirement earned over many working years.

It's time to close the wage gap and enforce and strengthen anti-discrimination laws. It is time to focus on increasing retirement security for *all* Americans by increasing private savings, pension stability, and protecting Social Security. And it is time for us to get to work and rid the current system of inequities facing working women.

We all know that women are the chaos managers of our society: juggling children, spouses and work in and out of the home. And I hope that this book will provide you with the tools you need to make that juggling a little easier.

Once you begin to learn and save and work toward your own retirement goals, perhaps you will share your story with someone else you know and care for or care about. These are the stories we all look forward to hearing the most: the ones filled with grace and dignity after a lifetime of work and care. That's the story we all dream of, and together we will write it by taking charge of our own financial destinies.

And, as you read this and have a story to share, please email me (teresa@heinzoffice.org), or write me a letter in care of the Heinz Family Philanthropies, 1101 Pennsylvania Avenue, N.W., Suite 350, Washington, D.C. 20004.

Finally, let me thank and applaud the efforts of Cindy Hounsell, the President of WISER, and Jeffrey Lewis, the WISER Board chairman, for bringing this information, at no cost, to all the women, and any enlightened men, who will read it.

Teresa Heinz Kerry

Dedication

In a conversation one day, Teresa Heinz Kerry, the chairman emeritus of the Women's Institute for a Secure Retirement (WISER), challenged WISER staff to compile a book about retirement issues that would provide women with information they could readily use. She believed, as do we, that because women live longer and because they are the majority of the nation's caregivers, that it was especially important for them to know how to take control of their own retirement future—if they don't, no one else will.

WISER began in 1996 because Teresa believed that all women needed access to up-to-date and easy-to-understand information about how to take control of their own financial lives, and to learn what they could do to assure their security in their retirement years.

Teresa has supported our work annually and without her help, encouragement, and vision, WISER could not have grown to bring together the partnerships and organizations that have helped us to reach millions of women. Teresa personifies the definition of a Renaissance woman.

Along the way, award-winning Broadway producer and director, Bill Haber, heard about what we were doing and immediately sent funds to further our work.

To create this book, we brought together a group of experts from across the United States to work with us on this project—a book on women's retirement issues that would be available to all women for free. Like Teresa, these individuals contributed their many diverse talents but all shared in the belief that we can and must make a difference.

There are others who provided help—including all WISER Board members and its Advisory Council. Special appreciation goes to Wendy Button, Maudine Cooper, Vickie Elisa, Mary Murphree, Camille Murphy, Mary Pettigrew, Donna Purchase, Anna Rappaport, Alma Morales Riojas, Margaret Scott, as well as Jenny Backus, Laurel Beedon, Bill Benson, Chris Black, Jeremy Button, Bonnie Coffey, Cheryl Gannon, Frank Gannon, David Koitz, Reina Montes, Bobbi Munson, Kathy Stokes Murray, Grant Oliphant, Martha Patzer, Charles Richardson, and Cliff Shannon.

But, eight individuals stand out because of their individual and collective commitment to helping women get a hand up, not a hand out: Melinda Blinken, Jerry Hodge, Lyle Howland, Ellen Levine, Karen Judd Lewis, David E. Shaw, Billy Tauzin and Elizabeth Vale. Each is a WISER Hero.

A unique group of women stands out because of their courage of conviction, women who reminded me every day why what we are doing is so important: Jessica Catto, Judy Davenport, Lori Ferrell, Peggy Grossman, Coco Kopelman, Dominique Laffont, Wendy Mackenzie, Singer Rankin, Doris Reggie, Linda Smith, Allyn Stewart, Diana Walker, and Wren Wirth.

And Cindy Hounsell (WISER's president) who personifies how one person really can, and does, make a difference every day.

WISER's mission, our goal, our desire is easily stated but hard to achieve: We want to help reduce and ultimately eliminate the poverty of America's older women. Our success is measured by the knowledge that every day, the poor, older women who have for far too long been out of sight and out of mind in America, increasingly are being seen and served and respected.

We have made a good start. We have come far. We still have a long way to go. If you have any questions, comments or ideas, please send me an email at jlewis@heinzoffice.org, or send a letter to Jeffrey R. Lewis, Chairman, Women's Institute for a Secure Retirement, 1101 Pennsylvania Avenue, N.W., Suite 350, Washington, D.C. 20004.

And every day we draw inspiration from the memory of the late Senators John Heinz and Patrick Moynihan and Congressman Phil Burton—to whom this book is dedicated.

Jeffrey R. Lewis, Chairman

Chapter Two: A Lifetime Money Plan

By Elizabeth Warren and Amelia Warren Tyagi
www.allyourworth.net

Our friend Michael was in his 40s when he decided he really wanted to live a long, long time. So he seized on vitamins as the answer. He read the latest studies, haunted the health food stores, and pestered his doctor about whether he got enough zinc. He was on the subscription list for a half dozen magazines that always had alarming headlines, and he took nearly a dozen odd-smelling pills every day. Of course, he still ate junk food and smoked a pack a day; and his idea of exercise was to give his thumb a workout on the remote control. Michael had his first heart attack at 52, a bypass at 54, and by 56 he had to quit work entirely.

Our Aunt Bee had a different approach to life. She just wanted to live well. Sometimes she remembered to take a multivitamin, and sometimes she didn't. But she walked every single day. On sunny afternoons, in steady rains, in nasty sleet, the neighbors would catch sight of Aunt Bee out for her walk. She ate moderately, she took care of her teeth, and she laughed hard. And right up until she fell ill at the age of 99, she spent her days helping out her neighbors, knitting coverlets for her nieces and nephews, and making exotic jell-o salads for every church gathering.

Taking care of your retirement plan isn't much different from taking care of your health. Just as you can spend all your time worrying about vitamin pills, you can spend every weekend reading about Roth IRAs and changes in the tax code. And, if you make some clever decisions, it may help some. But Aunt Bee had the real wisdom: The best way to get ready for the future is take care of yourself, each and every day. The surest path to a long and prosperous retirement is to give yourself a secure financial life, day in and day out, starting right now.

Preparing for Retirement: A Lifetime of Financial Good Health

The key to a secure retirement is to build a sound financial base today. Once you start to think about a lifetime money plan—a plan that covers all your financial needs—you can see your retirement in a new light. Retirement isn't some special, distant, different time. Retirement is simply another phase of your life. You may not be working after you retire, but you will go on living. In the same way, you will have less income, but you will go right on paying your bills. And like Aunt Bee, if you learn good financial habits now, you'll have plenty of time to laugh hard and enjoy time with your loved ones.

You may be thinking, "Getting my financial house in order sounds hard!" We're not going to fool you—if your idea of budgeting is to buy what you want and pray you have enough to cover it—then it may be hard. But we've broken it down into five simple steps:

1. Balance your basic bills.
2. Pay off your debt.

3. Build your emergency savings.
4. Pay off your home.
5. Build your retirement savings.

These five steps will help you build a strong financial base that will see you through all of your tomorrows—before and after you retire.

First, Balance Your Bills

To build your lifetime money plan, start with what's most important—your basic necessities. These are the "must-have" bills—those you need to pay month in and month out, no matter what. This includes your rent or mortgage payment, utilities, insurance, car payment, regular medical bills, and any legal obligations (such as student loans). If you pay for daycare so that you can go to work, it goes with your must-have bills. The list also includes a basic food allowance (just the bare essentials—T-bone steaks and restaurant meals don't qualify as "must-have" bills). Add all these regular expenses up, and call the list your "Monthly Must-Have Expenses."

Generally, you should be able to cover your monthly must-have expenses on 50 percent of your take-home income. That's right—half your money can go to must-haves. If you keep your must-haves to 50 percent of your income, you will have plenty left over to spend for fun, and enough left over to save for your future. Keeping the must-have expenses in balance will give you a solid foundation for your lifetime money plan.

What if you can't manage your bills on 50 percent of your income? Then this is a strong sign that it is time to cut back. Maybe you should send back the rent-to-own television. Maybe it is time to move to a smaller apartment or to trade in the car for something cheaper. Maybe you need to share expenses with a roommate or a family member. Do whatever you can to get your basic expenses down to half of your income. These can be tough choices, but in the long run you'll live happier and rest easier if you start to get your budget straight now. Take a closer look at your expenses with the help of a worksheet available at www.wiserwomen.org.

What if you just can't get it to 50 percent right now? Then get as close as you can. If you are spending 65 percent of your income on must-haves, maybe you can bring it down to 55 percent. It's not perfect, but it would be a big step toward building a more secure future. And once you've done your best, set a goal for getting your must-haves into balance. Maybe it will be in a year, once you finish paying off your car. Maybe it will be in two years, once the youngest child starts kindergarten and your daycare bills go down. The point here is to keep your eye on the big picture—your long-term financial health. It may take a while until you get everything under control, but every step you take in this direction makes your life better today and tomorrow.

Second, Pay Off the Debt

The medical bills from last year's visit to the emergency room. The money you borrowed from cousin Charlie that has been hanging out there for over a year. The credit card balance that has bounced around for more than a decade.

You don't need a scrapbook. Your bills tell your history. Every debt, every monthly payment, every dollar you owe is a claim against your future.

Americans from all walks of life are carrying more debt. Kids still in college, married couples with kids, single men and women, rich people and poor people—debt is everywhere.

And yet, when most people think about planning for retirement, debt is nowhere in the picture. (And when experts talk about retirement, many seem to assume that no one has any debt.) But the reality is that the over-50 crowd is carrying more debt than ever before in history. They have credit cards and car loans, and many are responsible for student loans they took on to help their children through college. The average Social Security payment is about $12,000 a year—not even enough to live safely in many places, let alone comfortably—and certainly not enough to cover extra debt payments. And that debt is taking its toll: The elderly are now the fastest growing group in bankruptcy.

Debt can be tough on anyone, but hitting your retirement years dragging along a pile of IOUs is a recipe for disaster.

So how do you do it? Getting rid of your debt is a two-part process. The first part is to stop taking on new debt. This is the moment to look yourself in the mirror and say out loud: "No more debt."

If you are ready to get really serious, then its time to give your credit cards a rest, and stop making new purchases for non-essential items.. Once you have made the commitment not to take on any new debt, it is time to start tackling the old debt. We wish there were some magic secrets to quick and painless debt repayment, but there isn't. Getting out of debt is basically just a matter of paying off your old bills, one at a time, until they're gone.

Start by adding up all your debts—the credit cards, doctor bills, past-due bills—everything down to the money you borrowed from your cousin. Include all your debts except your mortgage, student loans, and car loans. Write them down, whip out the calculator, and add them up.

Then start paying them off, one at a time. Meanwhile, keep right on making your minimum monthly payments on the other debts. Once the first debt is paid off, pick another debt, and get that one paid off. Go through your debts one at a time until you are debt-free.

Where do you get the money?

Here is where it pays to keep your must-have expenses in balance. If you are spending about half your money for the basics—mortgage, car payment, insurance, and the like—then you have roughly half your salary left over for everything else. This means you should have plenty of money to cover stuff you want (but don't absolutely need), like

new clothes and an occasional restaurant meal, and money to start getting caught up on your bills. A good guide is to earmark 20 percent of your paycheck to debt repayment and savings. When you balance your bills, you will have money left over to repay debts and begin saving.

There are no short-cuts and no quick fixes. So beware of traps "to get out of debt quick" because they can end up costing you more money in the long run.

Here are some common traps to watch out for:

The Trap	The Dangers
Cash out home equity	Puts your home in jeopardy. Once you sign on the dotted line, the bank has the right to take your home unless you pay back every penny. Keeps you from building wealth for your future.
Credit counseling	Beware. Many dishonest companies claim they'll help fix your credit and get you out of debt, but they just make your problems worse. If you need help, contact the *National Foundation for Credit Counseling* at 1-800-388-2227, or www.nfcc.org and avoid the others.
Credit repair kits	Waste of money! The only way to repair your credit is to check your report for errors, and pay your bills on time.
Debt consolidation loans	They add extra fees and interest on top of what you already owe, costing you more money. They can hurt your credit rating.

If it seems like a long road to pay off all your debts, just remember this—you are not just paying off your debt, you are building a brighter future. Getting these debts paid off will change your whole outlook, making each step a little lighter—and your future a whole lot more secure.

Third, Build Your Emergency Savings

The third step in getting your financial house in order is to build your emergency savings. This is your safety cushion, the money that will stand between you and the things that can go wrong. You can call on your emergency savings if your car's transmission goes on the fritz or if you get sick. It is there so you always have a cushion in your account, so you never, ever have to pay another bounced check fee. It is the ultimate "sleep tight" insurance, since it gives you the confidence that you can handle whatever life throws your way.

Having money in emergency savings is the guarantee that you won't have to slip back

into debt. This is how you make sure that the little things that go wrong in life are just that—little. You can manage life's bumps and bruises without raiding your retirement account or relying too much on your credit cards.

The goal is to build a nice, comfortable bank balance—enough money so you can be really and truly confident about your money. Aim to save about three months pay. You don't need anything fancy, just an ordinary savings account you can tap whenever you need it. This is the money that lets you rest easy, because you know you will be able to handle pretty much anything life throws your way.

Fourth, Pay Off Your Home

Imagine a home of your own. Not just a house that you live in, but a home that is all yours. No mortgage payments, no rent checks. A home that is completely, 100 percent paid for, free and clear. Yours.

Sixteen years ago, Stephen Acosta broke his back in a motorcycle accident. He was lucky to regain the use of his arms and legs, but his days climbing around on construction sites as a licensed electrician were over. Between the medical bills and the lost income, he was pretty much wiped out. He was just out of rehab when his house was posted for foreclosure.

Stephen got a repair job in an electronics shop, and then took a second job working weekends as a security guard in a downtown office building. He cut his spending to the bone, and pretty soon he was caught up on the mortgage. "I kept picturing that orange sign on my front door, saying someone else was gonna take my house. And every time I thought about it, I got mad all over again, and I sent another hundred bucks to the mortgage company. I figured they could take my whole paycheck, but I'd never let them take my home."

Three months ago, Stephen threw a big party. He invited all his friends, and his mom came, too. After everyone arrived, he thumped his fist on the table, telling everyone to be quiet because he had an announcement. All eyes turned to a big green bowl with some papers in it. Stephen explained that this was his mortgage, he had paid it off and gotten it back from the bank, and he wanted everyone he loved to witness while he burned it. "Everyone cheered while I fired it up. Then my mom cried, and I even choked up a little. I pulled myself out of a hole and now this place was mine forever—no matter what." Sound good?

The fourth step in your lifetime money plan is to create a plan to pay off your home. Paying off your home is the double win in the savings world—a tremendously smart financial move that is also tremendously satisfying. After all, where else can you build substantial wealth and smile over your flower bed, all at one time?

Paying off your home is a great part of your retirement plan. When it comes time to retire, you can live rent-free, which means that your Social Security and retirement savings will go a lot further. If you end up in a situation where you need a lot of cash,

you can sell your house and move to something smaller. And if you stay in your home until your last days, the house will be a wonderful legacy to pass along to your children or to your favorite charity.

Paying off your home also does something many financial planners neglect to mention: It gives you freedom. Once that mortgage is gone, just imagine all the freedom in your wallet. Freedom to spend more money on fun, freedom to give more to the people you love, freedom to work a little less and play a little more. Think of this as yet another form of sleep tight insurance.

How do you pay off your home? A little at a time. Squeeze out some extra money from your monthly spending and put a second check in with your mortgage payment (about five percent of your take-home pay is a good target). Or if you get a Christmas bonus, put it toward paying off your mortgage. If your mom gives you money for your birthday, or if you get some unexpected overtime pay, put it towards your mortgage.

There are lots of ways to do it, but the main thing is to begin. The goal is to chip away at your mortgage, so that you pay it off faster. If you keep making the extra payments, you can get your mortgage paid off years ahead of time—all while saving yourself tens of thousands of dollars. Now that's a smart financial move.

But what about the mortgage interest tax deduction? A tax deduction is no reason to prolong your mortgage payments! Think of it this way—if you were a professional gambler, your gambling losses would be tax deductible. But does that mean a gambler wants to lose money? No way!

Still not convinced? Consider the math. Let's say you are paying $1,000 a month towards your mortgage; $700 goes to interest and $300 goes to principle. You would save around $175 on your taxes. So you want to keep paying $1,000 to the bank so you can save $175? Of course not. Math like that will drive you to the poorhouse in a hurry. As a friend of ours once said, "The problem with tax deductions is that they are like paper towels. You have to spill your own milk (make the payments) before they help you sop up some of it."

But what if you plan to sell your house? If you sell your house, you walk away with the equity—and the equity increases for every dollar you pay down on the mortgage. When you sell the house, the cash is yours, whether you plough it into another home or just shove it in your pocket.

But doesn't it make sense to borrow against your home when interest rates are low? Whether you are borrowing to pay down your credit card balance, play the stock market, or travel to Tahiti, borrowing against your home is still borrowing—period. It is not saving, it is not smart, it is not savvy. A second mortgage or a home equity line of credit is dangerous, because it gives the mortgage lender the right to take your house away if you get behind on your payments. So just pay down your mortgage, and bask in the knowledge that one day you will be completely, contentedly debt-free.

But what if you don't own a home? Should you rush right out and buy one? Should you decide your future is hopelessly lost forever and crawl into your apartment bathtub and pull a mattress over you? No and no.

If you don't own a home, it may make sense to buy—or it may not. Buying a home is not the right choice for some people. And renting is perfectly fine—on one condition: Renters still need to keep saving. The money you would have used to pay down your mortgage should go into your savings. If you're not a homeowner, you will need extra money when you retire so you'll be sure to have enough to cover the cost of an apartment.

Now, Create a Retirement Fund

You have paid down your debts. You have built an emergency fund. Now for the part that usually comes to mind when you hear the words "planning for retirement": Create your retirement fund.

You know that you need to save for retirement, but it seems tough. There is some good news. The government gives tax breaks to help you save for retirement. Your employer wants to help you save for retirement. You have years for your retirement account to grow, which means that a little savings goes a long way. In other words, this is really easy. You just need to do it.

- Sign up for your retirement plan at work. You'll get automatic tax breaks for every dollar you put in, so the government gives you an immediate boost. (You may have a plan that gives the tax break when you retire rather than with your contributions.) And your company may give you matching contributions, which really is like free money lying on the table. So be sure you reach over and pick it up.
- Create your own retirement plan: If your boss doesn't offer a retirement plan, open an IRA (Individual Retirement Account) on your own. (If you are self-employed or if you run a small business, open a SEP-IRA or an individual 401(k), both of which offer higher savings limits and extra tax breaks to small business owners.) IRAs are easy to set up; you can open one through your local bank or through an online financial institution. Look for an IRA that has low fees and plenty of investment options. Once you've opened your account, just start contributing. The government will help you fund your IRA by chopping down your taxes, so take advantage of it—it's like walking around with a bucket when it's raining money.

How much should you put in your retirement accounts? Roughly 10 percent of your take-home pay. If your employer contributes to a pension or savings plan, you can put in less; if you are over 35 and you are just getting started on saving for retirement, you should put in more.

Once you have put some money in your retirement fund, sit back for a minute and

congratulate yourself. Half of all Americans never make it this far. If you have a retirement account and you are putting money in it, then you have just made it into the upper half (financially speaking) of all adults in the U.S. Congratulations!

So how do you build your retirement savings? A little at a time. Think of it this way. How do you eat a huge meal? One bite at a time. How do you make a long trip? One mile at a time. How do you build a big house? One brick at a time. You wouldn't say, "I can't possibly eat the whole meal!" or "I'll never get to Milwaukee!" You would just keep at it, one step at a time—and not think much more about it.

Okay, you already know this. So here's the next question: How do you get half a million dollars in your retirement account? Here's a hint: The answer is not "Win the lottery" or "Inherit a bundle from a long lost uncle." The answer is that you will get $500,000 by saving a little at a time. Save, and keep on saving, and you'll make it sooner than you think.

Still not persuaded that you can build that mansion one brick at a time? Maybe the math will convince you. Suppose you earn $50,000 a year. Now suppose you stick with your retirement plan, setting aside roughly 10 percent of every paycheck for your future and investing it sensibly. In 15 years, you'll have more than $130,000. And in 25 years, you'll have nearly half a million dollars.

Take a look at the table, which shows you how much your savings can grow if you put aside 10 percent of your paycheck.

How much can you save?

Your annual income	Savings (10 percent of estimated after-tax income)	Amount you will have in 25 years*
$30,000	$2,160	$288,001
$40,000	$2,880	$384,002
$50,000	$3,600	$480,002
$60,000	$4,320	$576,002
$70,000	$5,040	$672,003
$80,000	$5,760	$768,003
$90,000	$6,480	$864,003
$100,000	$7,200	$960,004

*Average 12 percent annual return (same as U.S. stock market, long term). [1]

Do those numbers look big? They should! Once you begin to add to your savings, the effects of compound interest begin to kick in. Your savings produce interest, and that

[1] This example doesn't adjust for taxes or inflation. On the other hand, it also assumes that your income doesn't increase by a single dollar in the next 25 years. In all likelihood, your income *will* increase, and as your income grows the amount you invest will at least keep pace with inflation—or better.

interest becomes more savings. After a while, the interest on your money is working harder than you are, pulling in interest and earning returns faster than you invest every month—all because you started saving a little at a time.

Even if you don't get it perfect—even if you don't save the full 10 percent or you don't set up your retirement account right away—saving something is always better than saving nothing. Every dollar you save is a dollar toward a brighter future.

It's Your Tomorrow

Retirement isn't all about calculators and special accounts. But if you spend some time setting things up ahead of time, your retirement can be so much richer. Maybe you have something luxurious in mind, like plenty of money for travel or a villa nestled in the hills. Maybe you want to spend your time on a favorite hobby, or strolling along the beach. Maybe you want to be able to help out your family. Or maybe you just want a paid-for house and plenty of time with the grandkids.

No matter what the details, some up-front planning can help you create a retirement fund that will enable you to accomplish the most important objective: When the time comes, you can retire in comfort and dignity. This means having money to cover your basic needs, money for your health care, money to let you pay your own way. It can mean there will be no need to call on the charity of others, and no need to continue working longer than you are physically able. And, with a little luck, it means having money for your dreams.