Can You Afford to Retire?

It's all about having a plan.

BY WILLIAM J. LYNOTT

Just a few generations ago, there was no such thing as "retirement," as least not in the sense that we think of it today. Battleships were retired from active service, or people going to bed were said to be retiring. Back in those days, you didn't "retire" from work, you simply worked until you died or until you were too old to swing an axe or thread a needle, in which case you went to live with the kids who took care of you while you kept repeating yourself and offering lessons about "life."

Then, in 1883, Chancellor Otto Von Bismarck of Germany announced that his government would pay a pension to any non-working German over age 65. Of course, he knew exactly what he was doing since hardly anyone lived to be 65 in those days. Still, his action served to set the standard throughout most of the world for when old age begins and retirement would be appropriate. From then on, the new concept of worker retirement began to take shape.

Here, in the United States, the first so-called employer-provided retirement plan was implemented by the American Express Company in 1875. A few years later, in 1880, the Baltimore and Ohio Railroad established the first retirement plan to be financed by employer and employee contributions. From then on, similar retirement plans were implemented by hundreds of American companies.

Then, on August 14 1935, President Franklin D. Roosevelt signed the Social Security Act into law. The resulting combination of monthly payments from corporate retirement plans and Social Security introduced what might be called the golden age of retirement.

By 1990, 39.5 million private-sector workers (43 percent of all private sector workers) were covered by a pension plan. With monthly payments from a pension plan plus Social Security, millions of retired workers over the age of 65 were set for reasonable comfort in their "Golden" years.

But then, the retirement picture began to change again. Employers with long-running defined benefit pension plans started looking for less costly ways to deal with employee retirement. Their answer: defined contribution plans such as 401(k)s and similar plans that put workers, instead of employers, in charge of their own financial destinies. As the number of these defined contribution plans began to skyrocket, the old defined benefit plans began to fade in proportion. The result: most American workers now have to take charge of planning for their own retirement. As one financial planner put it, "If you don't do it, no one else will."

KEY POINTS:

- **The first so-called employer-provided retirement plan was implemented by the American Express Company in 1875.**
- **According to a recent Census Bureau study, seniors in 49 states do not have enough income to live comfortably in retirement.**
- **Working part-time after retirement reduces the strain on your retirement nest egg.**

So, how are we doing now that we're on our own in preparing for retirement? According to a recent Census Bureau study, seniors in 49 states do not have enough income to live comfortably in retirement. In a savings retirement poll taken by Bankrate.com in September of 2014, two-thirds of Americans are not saving enough to provide for a comfortable retirement. According to USA TODAY, about 36 percent of workers have less than $1,000 in savings and investments that could be used for retirement.

Not a pretty picture. So what can you do to separate yourself from the crowd? Here are seven tips that should help:

- Remember, it's never too late. Of course, the sooner you start saving for retirement, the more likely you'll meet your goals. The older you are, the more aggressive you'll need to be in putting aside retirement savings. Either way, whether your retirement is just over the horizon, or many years ahead, you must take action now.
- Take full advantage of tax-deferred workplace savings plans such as 401(k)s and IRAs. Deposit the maximum amount possible each year. If your employer offers matching contributions, don't miss out on these "found" dollars.
- Remember, it's important to understand that tax-deferred retirement savings plans have the double benefit of reducing today's tax load, thus effectively increasing today's income, while helping to build that all-important retirement nest egg.
- Don't wait until tax filing time to fund your retirement account each year. Making the maximum possible deposits into your 401(k) or IRA account as early in the

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year as possible not only reduces your tax load, it also adds months to the tax-deferred compounding of your investment.

• Always pay yourself first. For most people, back-door savings just won't work. That is, putting savings aside only after you have taken care of all other needs. That philosophy all but guarantees that there will never be anything left for you to save. Decide on how much money you intend to save each month and put that money aside first. What is left is what is available for you to live on.

• Set specific retirement goals. It's important to establish realistic goals for your retirement. Carefully evaluate your expected expenses in retirement so that you will know how much you need to save to supplement Social Security benefits and any other income to provide the level of living you hope to achieve.

• Consider deferring your full retirement. While working part-time after "normal" retirement age may seem counter to retirement goals for many of us, others are finding that it offers some important advantages. First, keeping a toe in working world waters keeps you socially active. That, in turn, offers important physical and mental health advantages. Arguably, more important, working part-time after retirement also reduces the strain on your retirement nest egg.

While the discipline needed to plan for your retirement may be difficult to achieve, your efforts today can pay rich rewards you deserve during the golden years.

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