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Financial Planning

WHAT IS THE IDEAL AMOUNT TO SAVE FOR RETIREMENT?

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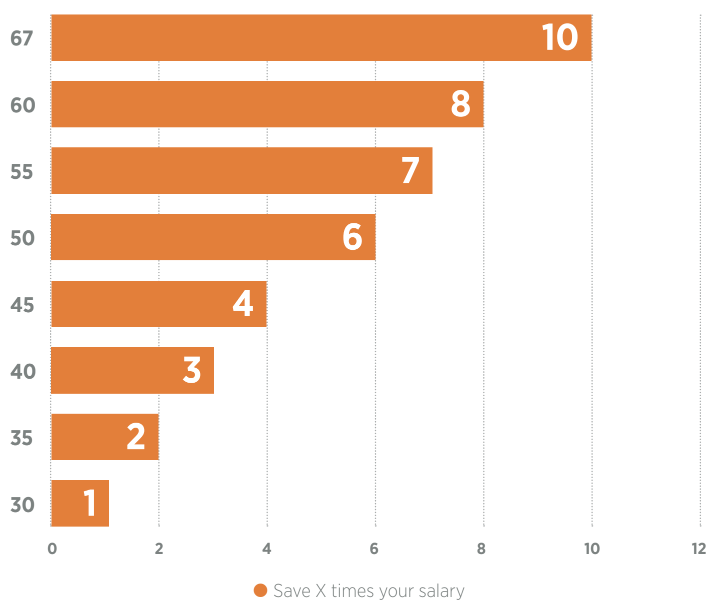
This is a question that many people often ask, and it's no surprise. There are numerous uncertainties to consider: When will you retire? How much will you need to spend during your retirement? And how long will your retirement last?

For this reason, we developed age-based retirement savings goals that can assist you in planning, despite the uncertainties. These milestones are ambitious, and it is unlikely that you will achieve all of them, but don't fret; working with your financial advisor can get you back on track towards your retirement goals. These milestones can serve as benchmarks to help you create a savings plan that will enable you to maintain your desired lifestyle during retirement.

How much should I have saved at various milestones in my life?

If you're looking to assess your progress in your savings journey, we have compiled a good rule of thumb to gauge your current standing. The following graph outlines the recommended savings milestones, expressed as multiples of your salary, at different life stages. For individuals planning for retirement, a benchmark suggests having the equivalent of one year's salary in a retirement account by age 30, and by age 50, accumulating six times your salary in the same account. This guideline serves as a practical rule of thumb for those aspiring to maintain a comparable lifestyle in retirement as they currently enjoy during their working years.

SALARY MULTIPLIER



When would you like to retire?

The age at which you plan to retire can significantly impact the amount you need to save and the milestones you should aim for along the way. Postponing retirement allows your savings more time to grow, reduces the number of years in retirement, and increases your Social Security benefits. As a result, the required savings factor decreases as you extend the timeline for retirement.

Let's consider some hypothetical examples:

- **John plans to retire at age 70**, so he will need to have saved 8 times his final income to maintain his pre-retirement lifestyle.
- **Jane on the other hand, plans to retire at 67**, requiring her to save 10 times her pre-retirement income.
- **Jose plans to retire at 65**, so he would need to save at least 12 times his pre-retirement income.

While it's true that the timing of your retirement may not always be within your control, as it can be influenced by factors such as health or job availability, one thing is clear, choosing to work longer can significantly ease the process of reaching your savings goals.

Your lifestyle when you retire

Whenever you plan for retirement, do you expect your expenses to be the same? Do you expect them to go down? In some instances, expenses actually increase to more than what they are now.

Let's again explore the retirement plans of three hypothetical investors who are all aiming to retire at age 67. Each investor has different goals and expectations for their retirement lifestyle, which influences their savings factor.

First we have John, who plans to downsize and live a frugal lifestyle during retirement. As a result, he anticipates his expenses to be significantly lower than his current income. Considering this, John's savings factor may be closer to eight times his annual expenses, reflecting his intention to live within a tighter budget.

Next, we have Jane, who desires to maintain her current lifestyle throughout her retirement. She wants to continue enjoying the same level of comfort and financial security she has now. To achieve this, Jane's savings factor remains at the standard 10 times her annual expenses, ensuring she has enough funds to sustain her lifestyle during retirement.

Lastly, we have Jose, who sees retirement as an opportunity to travel extensively and indulge in various experiences. Given his desire for a higher level of retirement spending, it would be prudent for Jose to save more. Therefore, his savings factor is set at 12 times his annual expenses by the time he reaches 67, allowing him to fulfill his travel aspirations and enjoy a comfortable retirement.

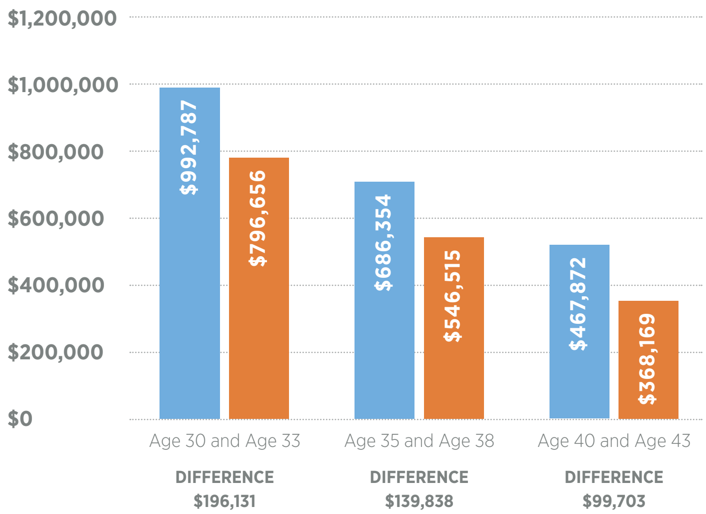
What a difference 3 years can make — Annual maximum IRA contribution examples

We have also included a graph showing what a difference 3 years can make on your total retirement savings. Starting to save early within a Roth IRA can have a significant impact on your total savings, as compound interest plays a vital role in increasing your total balance.

Hypothetical value at age 65 depending on what age you start investing

IRA maximum contribution of $7,000 a year,
plus an additional $1,000 catch-up contribution for ages 50 and older

WHAT A DIFFERENCE 3 YEARS CAN MAKE



Source: Gallagher Fiduciary Advisors, LLC. This chart assumes a hypothetical 7% rate of return rounded to the nearest $1,000. Returns are calculated annually and are for illustrative purposes only. The chart does not represent any currently available investments. Calculations assume an annual contribution (made at the beginning of the year) until the last day of your 65th year (the contribution limit for those under age 50) and add $1,000 per year at age 50 and thereafter (the catch-up contribution limit for those age 50 and older). Figures do not include taxes, fees, commissions, or expenses, which would have a negative impact on investment results.

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