

GIVE, SAVE, SPEND: How To Retire As A Millionaire

A million dollars by retirement? That's someone else's dream, right? It doesn't have to be. Here are retirement saving tips.

(For these calculations, assume an average annual return of 8%, adjusted for inflation at 3% - a reasonable estimate of average market returns.)

Age 25: A Good Beginning

You're 25 and landed that first job on your career ladder - congratulations! **Before you start living to your new paycheck's standards, budget your retirement savings.** If you have a 401(k) plan that matches your contributions, use it! These matching dollars are like a guaranteed return on investment. If you don't have a matching 401(k), look for a mutual fund through an investment firm with low fees; many now offer target funds, which allocate your investment risk with your targeted retirement year in mind - great for a beginning investor. Choose a Roth IRA if you can; you don't get to deduct your contributions from your taxes, but you'll enjoy tax-free withdrawals at 65. Plan to start by saving about \$200 a month to reach your millionaire goal; increasing this monthly amount by \$10 annually, and as you get a raise or promotion will only speed up your saving.

Age 35: Rolling Along

By now you have saved about \$45,000 and you've grown in your career with a bigger paycheck, but often, family commitments like children and a mortgage will seem more pressing than saving for your golden years. Don't make the mistake of slowing down your retirement savings. By now, you should ramp up your contributions to about \$400 a month - remember that a matching 401(k) will help you in attaining this amount.

If you have kids and worry about saving for their college, look at it this way: the best way to help them in the future is by ensuring you're financially sound in retirement. Make saving for retirement a priority.

Age 45: Holding Steady

You're mid-career, and things are looking good in your retirement portfolio. Your savings have grown to about \$160,000 - not bad, but it still isn't quite time to slow down. **Increase your retirement contributions** to about \$450 a month or more, and you'll be rolling your way to millionaire status by 65.

Age 55: Close to the Finish Line

By age 55, your retirement portfolio should be at \$400,000 or so. You can start to see the finish line, but begin to wonder about risk. If you've been investing in a target fund, your portfolio has been adjusting its allocation for you; otherwise, look at adjusting some of your investments to reflect a lower risk tolerance. **And remember: your income at, say, age 70 won't be withdrawn for another 15 years - plenty of time to ride out market fluctuations.** At age 55, expect to really ramp up your retirement contributions, to roughly \$600 a month, and more if you can manage it. The more you save, the sooner you can leave the nine-to-five behind.

Age 65: Prudent Asset Management

You're at the finish line: a millionaire at 65! Since you have no way to add to your savings now that you're out of the workplace, prudent asset management is vital. Keep a close eye on your portfolio so you can make your nest egg last. **Protect yourself against inflation as well as market risk** and you'll be enjoying your golden years without financial worries.

The Bottom Line

With steady savings and smart financial habits, you can retire a millionaire - maybe even before you're 65.