Six Starter Steps to Avoid a Personal Retirement Crisis

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America is experiencing a retirement savings crisis. Too many Americans have too little saved for retirement.

The result is that millions of Americans are deeply and justifiably worried they will outlive their retirement savings.

We cannot solve this crisis in one or two blog posts. Government, employers, the financial services sector, and worker, consumer, and retiree advocates must come together to craft solutions. Yet, you do not have to wait for a global solution to large and complex public policy problems. And you should not allow worry to harden into paralysis. You can take steps to avoid your own personal retirement crisis right now. Moreover, you should.

Six starter steps will help to reduce the risk that your retirement savings will be inadequate to support you for the rest of your life. Of course, this list is not exhaustive, and it will not solve every retirement problem for every reader. There is more you will need to do. Nonetheless, the action steps on this list should offer a starting place to allow you to build confidence and turn worry into productive action.

1. Maximize Social Security benefits.

Social Security provides guaranteed lifetime income. Alone, it's not enough. It must be supplemented. Keep in mind that early retirement reduces your Social Security benefits, and thereby increases the amount of money you will need from other sources. Accept your Social Security benefits only when they have reached their maximum level (visit www.ssa.gov for more information). And, if you pay your own Social Security taxes, pay them when they're due—every time. Get credit and a lifetime payoff for your hard work.

2. Enroll in your employer's retirement plan, make automatic contributions, and increase them each year.

You need retirement savings. So, save, starting now. If your employer does not offer a plan, suggest it. Most business owners can participate in the plans they offer to their employees, so it may benefit the boss, as well. If you do not have an employer, establish an individual plan (such as IRA, SEP-IRA, or Simple 401(k)), start saving now, and steadily increase your contributions as much as your personal economics will allow.

3. Don't let your retirement savings leak out.

Use retirement savings only for retirement. Absent a genuine family crisis, don't use or borrow against your retirement savings for any other purpose. You will likely pay taxes and penalties you cannot recoup if you prematurely withdraw money from retirement savings accounts. Like Social Security, leave the money in your retirement account as long as you can, including perhaps deferring income or withdrawals from retirement savings until years after you retire. Also, be alert to the fees and commissions you pay to those who provide retirement advice and products. You should keep as much of that money as you can by paying fair value — and only fair value — for the best services, advice, and products you can afford.

4. Get advice to design a retirement plan. What gets planned, gets done.

So, make a retirement plan. Expert advisors can help, but they go by many different titles and their expertise can differ. In addition, different rules apply to different categories of professionals. Choosing the right advisor can be confusing. Shop and compare. Start by researching the differences between the different categories of advisors: financial planners, registered investment advisors, retirement coaches, etc. Then, you may want to ask potential advisors:

A. How do you get paid for advising me—a flat fee, a commission on retirement products, or something else? How much can I expect to pay and for how long?
B. When you advise me, what rules will govern our relationship? Are you a fiduciary, or do other rules apply?
C. Are there any limits on the kinds of retirement investments you can offer me?

5. Get an illustration of your retirement.

In order to plan successfully, you need to know how much income you will have in retirement based on what you have saved today (plus Social Security). There should be several answers because there are many variables, including how long you will live, inflation, and investment returns, among others. Ask your advisor to build illustrations based on the facts of your life and different assumptions about your future. At a minimum, these illustrations will help set your expectations about your finances in retirement. Moreover, illustrations may inform how much you save each year while you are working, how you invest your savings, and even decisions about the age at which you will retire and when you should start receiving your retirement income.

6. Consider how you can supplement Social Security with other sources of guaranteed† lifetime income.

Some people choose to accumulate savings and withdraw them slowly during retirement. Others want the reliability and predictability of retirement paychecks that will arrive every month for the rest of their lives. Still others combine guaranteed lifetime income with accumulation and withdrawal. No one answer is right for everybody. Find the retirement products that will best suit your needs based on your personal retirement plan.

In conclusion, and as this list makes clear, it will take more than these six steps for you to assemble and execute a successful retirement plan. These suggested steps should raise as many questions as they answer. Regardless, the most important first step is very simple: get started planning your retirement. It's not too soon. But it's not too late, either.

† Guarantees are backed by the claims paying ability of the issuing insurance company.

Annuities are not for everyone. And, it's important to remember that these products are meant to be long-term investments designed for retirement, so there are restrictions in place to discourage you from withdrawing all of your money at once or taking withdrawals before age 59 1/2. However, most annuities do allow for exceptions based on specific circumstances such as a terminal illness or other emergencies.

Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact your representative or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

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