Catch-Up Strategies to Close a Retirement Savings Deficit

As diverse as the American population is, the vast majority of us, regardless of age or background, are united in our concern about saving enough money to live comfortably during retirement.

It turns out that a large percentage of Americans worry they haven't saved enough for retirement — and justifiably so, judging by their collective savings habits. Indeed, according to 2014 findings from the Employee Benefit Research Institute, 24% of U.S. workers are "not at all confident" they're saving enough to live comfortably during retirement, while only 18% are "very confident" they're doing so.

That confidence deficit corresponds to a stunningly large shortfall in retirement savings. Findings by the National Institute on Retirement Security indicate that some 92% of working households do not meet conservative retirement savings targets for their age and income. What's more, about 38 million working-age households (45%) have *no retirement account assets whatsoever*.

If you're concerned you're not saving enough for retirement, you are not alone. The good news is, whether retirement looms close or still is decades away, there are relatively small yet impactful steps you can take today, according to financial planners, to start making up some of that lost ground.

"It's about setting goals and figuring out how to get there," says Russell G. Robertson, a CERTIFIED FINANCIAL PLANNER™ (CFP®) professional at WealthCrest Financial Services in Springfield, Va. "You have three options if you realize you're not on track [with retirement savings]: save more; figure out ways to live on less by cutting spending; or worki longer" and delay retirement.

Robertson's advice: start with small steps and build from there. Here's how:

TRY THIS: Set goals for retirement. Travel, passing money to loved ones, purchasing a vacation home — what do you want to save toward?

TRY THIS: Determine your net worth — the assets you have (in bank and retirement accounts, real estate, investments, etc.) that will eventually comprise the assets from which you will draw to fund retirement and, perhaps, to pass on to heirs. A CFP® professional can help you devise a net worth statement. Visit the Financial Planning Association's national database at www.PlannerSearch.org to find one in your area.

TRY THIS: Track your cash flow — the money that comes in and out of your household in terms of income, debt payments, discretionary spending, etc. A CFP® professional can also help develop a cash-flow statement.

TRY THIS: Assess your income needs during retirement. That same CFP® professional can also assist with a retirement needs analysis.

The findings from the preceding steps should yield a clear picture of where you stand with retirement savings. If there is ground to be made up, here are some ways to do so:

TRY THIS: Set up and immediately begin contributing to a retirement plan, such as an IRA, 401(k) and the like. Workers with money in a retirement plan are almost three times as likely as those without any such plan to be very confident about their financial security in retirement, according to EBRI. So ask your employer about the workplace plan they offer and how to begin participating. If they don't offer a plan, set up an IRA yourself, asking a financial professional for help if necessary.

TRY THIS: Increase retirement savings by 1% today, then by at least 1% each year thereafter. People who are 50 or over would be wise to take advantage of "catch-up" provisions whereby the federal government allows larger tax-deferred retirement plan contributions. Meanwhile, people in their 20s, 30s and 40s should take full advantage of employer matching contributions and maximum allowable retirement plan contributions, so their money has more time to grow inside the plan.

TRY THIS: When you pay off a debt (such as a car or home loan) in full, or conclude a financial obligation such as a child's college tuition, **take the amount you had been paying toward those obligations and increase your retirement savings contributions by a like amount.**

TRY THIS: If you regularly receive a tax refund, **adjust your income tax withholding** (through your employer) and put the amount you usually receive as a refund in retirement savings instead.

TRY THIS: Earmark a percentage of any excess cash flow (identified in Step 3) for monthly (preferably automated) retirement plan contributions. This may require you to sacrifice a few lattes, restaurant meals, golf rounds or shopping mall outings, but the trade-off is well worth it.

TRY THIS: Prioritize retirement savings over kids' college savings. "Pay yourself first," says Robertson, "because you can get a loan for education but you can't get one for retirement income, and because kids have an asset you don't — time."

TRY THIS: Consider refinancing your mortgage loan or even downsizing into a less expensive home, putting the proceeds directly toward retirement.

TRY THIS: Maximize the employee benefits available to you at work. Matching retirement plan contributions and stock purchase programs from an employer can be especially powerful in building assets for retirement, according to Robertson.

TRY THIS: Consider a more aggressive allocation of investment assets inside and outside your retirement plan, in consultation with a financial/investment professional. Gaining more upside potential from investments usually entails taking on more risk. "The goal," says Robertson, "is to reach your [financial and life] goals with as little risk as possible."

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