Saving for Your Future

By Gene C. Sulzberger

This is the time of year when a form is provided to you at work asking about what you plan to contribute to your 401(k) plan (or other retirement plan) at work. With many of these plans, your employer may match your contribution.

Saving for your retirement may appear very far off for some. Or paying off debt may be your highest priority before starting a savings plan. Or, it may not be your priority right now for a variety of reasons.

Saving at a young age is vitally important. It is amazing how many people in their 50s and 60s have waited too long to start saving for retirement. We are no longer a culture of employer-sponsored pension plans; and, the majority of workers in the United States are now in charge of their own savings strategies – not their employers.

Here are a few things to keep in mind regardless of age when it comes to savings:

People waste money. Some people spend way too much money on things that they do not really need. If there are clothes in your closet that you have never worn – consider yourself someone that is spending too much money and probably not saving enough. There are many ways you can save money by just cutting down on a bit of spending. Making more money is always a great goal; but, in the meantime, focus on things you can cut from your spending that can result in increased savings.

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Sign up for that 401(k) plan! Setting up deductions from your salary to make automatic contributions to a 401(k) plan is one of the best ways to save painlessly. You should begin doing this with your very first job. Also, if your company offers a match to your 401(k) plan, that's extra money that you would not have had otherwise. If your company does not offer a 401(k) type plan, then start making contributions into an IRA. If you are under age 50, you can contribute $5,500 per year into an IRA. If you are 50 or older, you can contribute $6,500 per year into an IRA.

Having savings in place often reduces the stress you feel in life and may make you bolder and more decisive in your everyday work life.

Get rid of your debt. Student loans and credit card debt are some of the biggest culprits affecting your ability to save. I cannot stress enough the importance of not having credit card debt. Live within your means. As for student loan debt, it is important not to get caught in the trap of paying it down and having other debt accumulate on you on your credit cards. You should always make sure that you have a cash buffer in case you lose a job or have another emergency. The high interest rates on credit cards can become a vicious cycle of debt for you.

Have a cash reserve. Financial planners are taught to encourage people to save a minimum of three months of cash in case they lose a job. Having this cash cushion is vital to preventing an accumulation of new credit card debt and increasing your stress level. If you have children, this cushion will need to be much larger; and, if finding a job in your field could take more than three months, consider a cash cushion of at least six months.

Psychological benefits of saving. Knowing that you have the assets in place to handle the unexpected problems that can occur in life is a big confidence booster. Having savings in place often reduces the stress you feel in life and may make you bolder and more decisive in your everyday work life. It is an incredible quality of life booster.

Start investing. Once you have started saving into your 401(k) and paid off your credit card debt, you are ready to start investing in a nonretirement account. Often there are minimum requirements to open an investment account, typically a few thousand at discount brokers. In the end, it is vital to get started and get started at a young age. The longer you are investing, the longer your money has the ability to compound itself and grow larger. This is the secret to saving for retirement.

So please, do yourself a favor, and sign up for the 401(k) plan at work, or start making annual contributions to an IRA and think about you and your family's future.