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## If They Could Turn Back Time, What Would Retirees Have Done Differently?

It's an age-old question that most people can't resist daydreaming about. If you could turn back time, what would you have done differently? Some people might have chosen to invest more in relationships. Others may have taken more—or fewer—risks. Many would have devoted more time to having fun.

When it comes to planning for retirement, what would today's retirees have done differently? Researchers who conducted the 2017 TIAA Transition to Retirement Survey asked individuals that very question—and the responses were eye-opening! Their invaluable comments could help those who are saving for retirement now make smarter, more informed decisions that could benefit them—and their loved ones—in the future.

Let's look at the retirees' top regrets and what they would have done differently if they had known then what they know now.

➔ **Fifty-five percent wish they had started saving for retirement earlier.** It's never too late to begin saving for retirement. But it's clear that starting as early as you can is a big advantage. Consider this:

*Anna, who earned \$50,000 annually, began contributing \$3,000 each year to her IRA when she was 30 years old. When she retired at age 65, having saved for 35 years and having earned a 7-percent average rate of return, the pretax balance of her IRA was \$443,740.*

*Compare Anna's situation with that of James. He also earned \$50,000 annually and contributed \$3,000 each year to his IRA, but he didn't begin saving until age 45. By the time he turned 65, also having earned a 7-percent average rate of return, the pretax balance of his IRA was \$131,596.*

Both Anna and James did a great job in saving for retirement. But because Anna began saving earlier, she saved \$312,144 more for her retirement years than James!\*

\*These are hypothetical examples and are for illustrative purposes only. No specific investments were used in this example. Actual results will vary. Past performance does not guarantee future results.

**Tip:** Regardless of how old you are when you begin, getting started is the key. Try saving small amounts at first—you'll barely miss them. Then, incrementally, increase the amount you save each year. Over time, you'll be surprised at how much your nest egg will have grown!

➔ **Forty-six percent of retirees wish they had saved more of their salary.** Once that critical first step of deciding to save is under your belt, look around and determine which savings engine available to you will help you rev up your savings efforts. Your chance of reaching age 65 regret-free in terms of your finances will greatly increase if you invest a portion of your salary in an IRA or in a tax-deferred account like a 401(k) plan through your employer. The money you contribute to your employer's 401(k), which you otherwise would have paid toward your income taxes, will stay invested in your account and will earn interest for many years. And that interest will be compounded. Plus, the automatic nature of contributing to a workplace retirement plan by having a percentage or dollar amount automatically and directly deposited from your paycheck makes it easier to save.

**Tip:** Here's another "no-brainer" reason to defer part of your salary to your 401(k) plan: most employers reward you for your saving efforts by "matching" a portion of what you contribute from your paycheck. That is free money in your pocket when you reach retirement—a benefit that makes too much sense to pass up.

➔ **Thirty-six percent of retirees wish they had invested their savings more aggressively.** Although investing your hard-earned retirement savings via a 401(k), IRA, or other tax-preferred retirement account is a must, for many people, it has its potential pitfalls. Do-it-yourself investors often select an asset allocation mix that doesn't quite align with their financial goals (e.g., investing in very aggressive growth vehicles in the hope of generating larger returns when a more balanced suite of investments would better match their goals). Further, investors often have difficulty separating the emotional aspect of investing from the calculated, dispassionate decision-making that successful investing requires.

Fortunately, options are available for those who don't feel comfortable choosing their own investments. For example, target-date funds (TDFs), which are available to most 401(k) plan investors, are professionally managed mutual funds that automatically allocate the appropriate mix of stocks, bonds, and fixed income products according to the date that an investor expects to retire. TDFs take the guesswork out of the equation for inexperienced investors.

**Tip:** Another notion to consider? Enlist the help of a financial advisor. By working with a trained professional, either on your own or through your company's 401(k) plan, you'll be able to leverage that individual's investment acumen, experience, and expertise to set you on your way to realizing your retirement goals.



## 401(k) Loans: What You Can't Afford to Overlook

Sometimes life throws you a curveball, and you find yourself in a financial jam that requires some quick cash. Taking a loan from your 401(k) plan sounds like an easy solution. After all, you'll be borrowing from your own retirement account and paying yourself back with interest. Sounds reasonable enough, right? Not always. Borrowing from your 401(k) can be harmful to both your short- and long-term savings goals. Here's why.

- When you take out a loan from your 401(k), you're borrowing money that hasn't been taxed yet. But when you pay back the loan, you'll be doing it with *after-tax dollars* that will be deducted from your paycheck. Years later, when you withdraw that paid-back money as distributions from your 401(k), it will be taxed again. That means you will be taxed twice on your retirement savings!
- You will likely stop contributing to your 401(k) plan. Why? Because the loan repayments will reduce your take-home pay, giving you less cash to work with each month. Moreover, if you stop contributing pretax dollars to your 401(k), your taxable income will increase, which could put you in a higher tax bracket. And what does that mean? You guessed it: higher taxes. So taking a loan from your 401(k) not only halts your retirement savings momentum, but it could also lead to a higher tax bill.
- If you leave your job and haven't finished repaying your loan, you may owe taxes and penalties. Your former employer could require you to pay off the loan's outstanding balance. If you can't do that, the balance could be reported to the IRS as a distribution, and distributions are taxable. But, wait, there's more bad news. If you're younger than 59½, you would have to pay an extra 10-percent penalty to the IRS on that distribution!
- When you withdraw money from your 401(k), it is no longer being invested. And when you're not invested, you're not earning interest and benefiting from any potential market gains. This could translate into your having less money when you retire.

Circumstances may leave you with no alternative but to borrow from your 401(k) plan. But if you can, try to find a way to get the cash you need today other than borrowing it from your future.



## Relax and Take a Deep Breath!

Reducing stress is vitally important to your overall health. A simple, cost-free way to help relieve everyday stress—and one that you can do anytime, anywhere—is deep breathing.

Breathing routines have often been recommended to combat tension, headaches, chronic fatigue, concentration issues, and more. Take a few minutes today to practice this easy routine at home or in the office:

- 1) Sit up comfortably with your shoulders, head, and neck supported against the back of your chair and with one hand placed on your belly.
- 2) Breathe in through your nose while letting your belly fill with air—the hand on your belly should rise.
- 3) Breathe out through your mouth, pushing out air while contracting your abdominal muscles.
- 4) Repeat the routine for two to three minutes.

Try it and notice how good you feel afterwards. You'll be more than likely to do it again and again.

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Authored by the Retirement Consulting Services team at Commonwealth Financial Network.