YOUNG PROFESSIONALS

Retirement Strategies for Millennials

Retirement seems far away, and it feels like you have decades to prepare. But in order to enjoy a long, financially secure retirement, you'll need to start thinking about saving... today.

And while a common misconception is that Millennials are bad with money, 54 percent report they have a budget[2]. Seven in ten consider themselves to be savers—not spenders—and currently prioritize financing an emergency fund or a vacation[1].

Despite these good habits, some still delay their retirement planning. While that emergency fund you're saving toward is important, waiting to invest in retirement may not be the best choice. Eighty percent of Millennials do not believe Social Security will be available for them when they retire[3]. By only contributing to a traditional savings account, you could miss out on tax benefits and the potential to grow your nest egg with a retirement savings account.

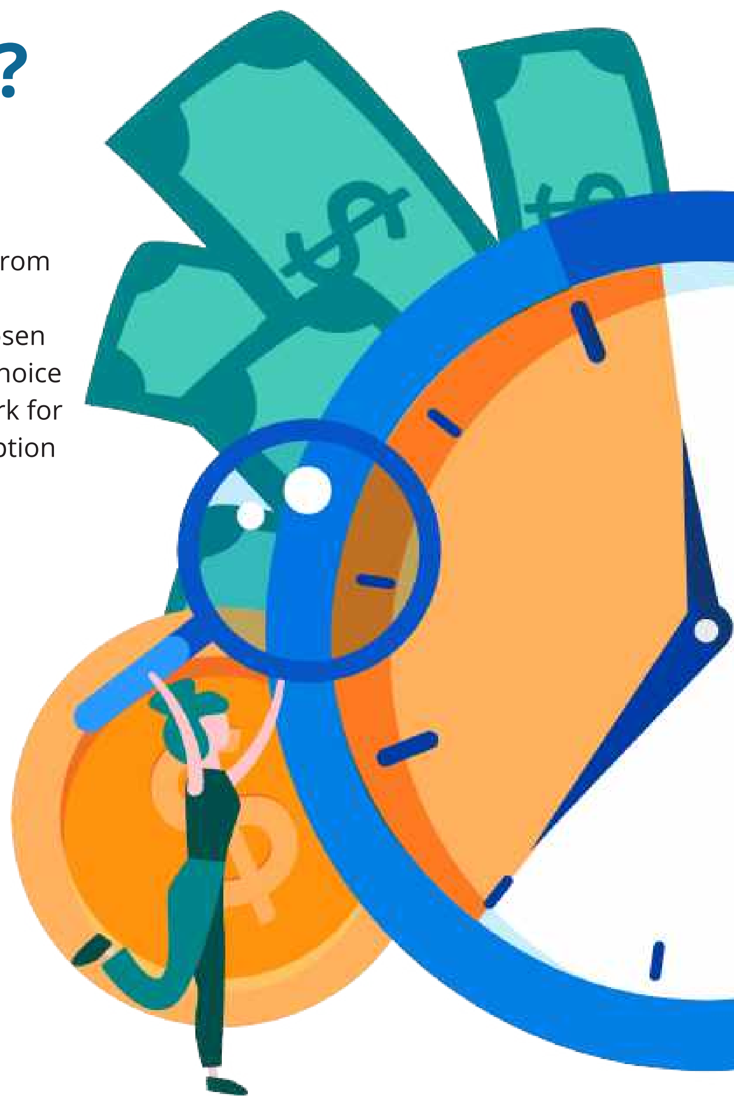
What Are My Options?

Retirement savings account include:

401(k) – A 401(k) is a retirement savings plan offered through an employer. You're able to choose how much you'd like to deduct from each paycheck—before taxes—and employers will often match a certain percentage of your contributions. Assets are typically chosen by your employer's fund manager, though you may have some choice in an aggressive or conservative strategy. Alternatively, if you work for a nonprofit or governmental organization, you might have the option to contribute to a 403(b) instead.

IRA – Like a 401(k), an individual retirement account (IRA) is a tax-deferred retirement savings account you establish independently or that may offered by an employer. With an IRA, you'll have more freedom in how you invest your money, but you are more limited in how much you can contribute per year.

Roth IRA – Unlike most retirement savings vehicles, a Roth IRA is funded after taxes, allowing you to take retirement withdrawals tax-free. You can either contribute up to the contribution limit or up to your taxable income for that year, whichever amount is smaller. See the IRS website for the latest contribution limits.



Isn’t It Risky to Invest My Money?

While investments can be volatile, this is an instance where time may be on your side.

Studies show that many Millennials are wary of investing in the stock market.[1] This may cause Millennials to miss out on significant investment returns.

It’s true that there are risks associated with investing, but young professionals have an advantage. There’s more time to earn and save toward retirement, and, in the event of poor performance or a bad market, there’s also more time to recover. And you don’t have to be an expert on investments: A financial advisor can help you choose a portfolio that’s aligned with your desired goals and risk.

Am I Saving Enough Money? How Much Will I Need?

Young professionals estimate they will need $400,000 in retirement savings to feel financially secure, but almost half who provided an amount admitted they guessed those needs[1].

The reality is that everyone’s needs and goals are different, and there is no one-size-fits-all retirement plan. A written strategy can be a good starting point.

Outline your vision for retirement alongside your anticipated expenses, long-term healthcare needs, and government assistance. If you’re not sure where to start, consider contacting a financial advisor, who can track current budgeting and spending habits, identify goals, and increase your confidence in your retirement plan.

[1] TD Ameritrade Millennials and Money Survey (2018)
[2] Bank of America Better Money Habits Millennial Report (Winter 2018)
[3] 19th Annual Transamerica Retirement Survey of Workers (April 2019)