

Retirement

Planning, patient waiting pay off in savings

By Carol Zimmermann
Catholic News Service

No one wants to think about getting older. Instead, people buy lotions to eliminate wrinkles and dyes to cover gray hairs.

But financial advisers suggest another approach to deal with aging. They look at getting older square in its face, with or without the lines, and warn people to be prepared.

It's all a matter of thinking ahead and taking money matters into one's own hands, they say. Having the funds to enjoy after years of sending children to school, clothing them and paying their medical expenses doesn't just happen.

"Most people don't plan to fail, they simply fail to plan," said John Martino, a financial broker with Dean Witter and a parishioner at St. Bartholomew Church in Bethesda, Md.

Financial planning is even more crucial today than it once was because of a weakened Social Security system, decreased employee benefits, low savings rates, longer life spans and higher retirement and medical costs.

Martino said more people are starting to realize that "no one is going to take care of retirement for you."

One change in Social Security is the age that people can begin to collect their benefits. Previously, 65 was the starting age, but now, those born after 1960 cannot collect payments until they're 67.



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200	29,366	72,513	229,064	567,045	1,296,720

*At 8% interest, contributions invested at the end of each month

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Traditional pension plans have also changed. Long gone are the majority of retirement plans that asked no contributions of employees, yet guaranteed them a fixed income upon retirement. Today, many employers are switching to the 401(k) plan, which usually requires workers to contribute some of their own money.

Despite such changes, the fu-

ture need not look bleak to those who hope to one day settle down near a golf course or see the world on a cruise ship.

The key is to start saving right away. U.S. Department of Commerce figures show average Americans save less than 5 percent of their incomes. Yet experts say that about three times that amount should be saved to maintain a comfortable

retirement.

"You have to look at the future," said Martino. "The length of time you invest allows you to accumulate so much more, (and) it's so much easier if you do it while you're younger."

For example, if a 25-year-old saved \$2,000 a year for 10 years at 8 percent, the investment would be worth \$335,000 when

turning 65. But if the investor had waited until age 35 to start saving the same amount at 8 percent, the investment would only yield about \$250,000.

The first step in saving for retirement would be to look into what your employer provides and take full advantage of it. Employers using 401(k) plans usually match the employee's contributions with a specific amount.

Most employers allow workers to contribute a percentage of their salary up to a federally set annual limit. The invested money grows tax free, that is, taxes are not paid on the money until it is withdrawn.

If you are self employed or your employer doesn't have a retirement plan, you can start your own with the Individual Retirement Account at a bank or mutual-fund company. These accounts also grow tax-free and, in some cases, yearly contributions can be deducted from annual income taxes.

Other means of savings are not solely for retirement purposes, but because they are long term, they can help provide that necessary cushion when the weekly paychecks stop coming.

Martino urges people to invest aggressively in stocks or annuities, particularly when they are thinking about long-term savings.

"You get paid for patiently waiting" on your investments, he added. And as most retirees would probably agree, extra money during the final third of their lives is nothing to regret.

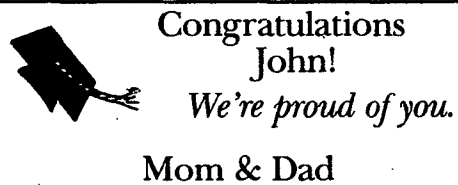
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