Steps to Take to Close the Retirement Savings Gap

Saving for retirement is often not afforded the attention it deserves during our early working years – many people adopt a "set it and forget it" mentality. With TSP or 401(k) automatic transfers and a military pension waiting after 20 years of service, "set and forget it" is an easy mindset to adopt.

However, even with automatic contributions and a pension plan, you can get off track with your retirement savings goals. The money you are saving for retirement may need to last for 30 or more years, and while a pension provides fixed income that you will receive each month for the rest of your life, withdrawals from a retirement account are finite. It is possible to run out of money if you do not have enough saved up or spend beyond your means.

No matter how far off retirement is for you, check in with your savings regularly. You can use Navy Mutual's **Retirement Planning Calculator** to estimate how long your current retirement savings will last, then determine how much more you will need to save based on that estimate. The good news is this: Even if you are behind in meeting your retirement savings goals, there are ways that you can make up for lost time.

1. Increase your contribution to your employer-sponsored retirement plan. At the very minimum, you should be contributing as much to your TSP or 401(k) account as is required to take full advantage of any employer match offered. TSP will match up to 5% of the contributions that you make; if you have another employer-sponsored retirement account, read the fine print or talk to your HR department to determine your matching contribution rate. An employer match is *free money,* and you do not want to leave anything on the table when it comes to retirement.

> **Note:** Currently, you can contribute up to $19,500 to a 401(k) or TSP account each year (or $26,000 if you are 50 or older). Employer contributions do not factor into that limit. However, this limit is a combined limit for all employer-sponsored retirement accounts, which is important to remember if you have multiple accounts.

2. Put your bonuses into an IRA. If you earn performance bonuses or have unallocated extra taxable income coming into the household, let that money work for you by putting it into a traditional or Roth IRA. IRAs have smaller contribution limits than 401(k) and TSP accounts (only $6,000 annually, or $7,000 if you are 50 or older) but they work in the same way – and offer you a personal retirement savings vehicle in addition to your employer-sponsored retirement accounts.

> **Note:** It may be wise to only contribute to an IRA *after* meeting the contribution minimum required to obtain your 401(k) or TSP's employer match. If you can no longer contribute to a 401(k) or TSP because your current employer does not offer one, an IRA gives you an advantageous way to save for retirement in a dedicated account.

3. Take advantage of catch-up contributions. Catch-up contributions offer you the chance to put more money into your retirement accounts when you are older and may have a higher salary or fewer expenses than you did earlier in your career. Available to individuals age 50 or up, catch-up contributions allow you to put an extra $1,000 per year into your traditional or Roth IRA and an extra $6,500 per year toward your 401(k) or TSP. Even if you are not behind in saving for retirement, catch-up contributions can give you a boost and set you up for financial security later in life.

4. Save your tax refund. If you qualify for a tax refund, put that money toward your retirement goals instead of spending it. Provided you made or will make income during the year, you can transfer your refund to an IRA – keep in mind contributions to an IRA cannot exceed your earned income.

> **Note:** You can contribute to either a traditional or Roth IRA. The difference? Contributions to a traditional IRA **may be tax-deductible** depending on your income, and your distributions are taxed in retirement. There is no immediate tax benefit to contributing to a Roth IRA, but distributions in retirement are tax-free. There are IRS-imposed income limits that must be satisfied before you can contribute to a Roth IRA.

5. Spend less money. Budgets can be useful tools when you are trying to save or reallocate money. Most people have a steady income each month, which makes budgeting much easier. Add up all sources of income, including your job, your spouse's job, and any BAH payments you may receive from the military. This shows you how much you have coming in each month. Then, look at your monthly expenses. Are there any expenses that can be cut completely? Can you renegotiate your cable and internet bills? Consider reallocating found money to your retirement savings or using it to pay down any debt you may have.

> Read more: **Budgeting Basics**

6. Delay claiming Social Security. You can begin collecting Social Security benefits as early as age 62. However, you will not reach full retirement age (as defined by the Social Security Administration) until age 66 or 67 depending on your birth year. If you choose to claim benefits early, you will permanently reduce your income payments by 6.67–11.67% per year. Conversely, if you wait to claim your Social Security benefits until after reaching full retirement age, you can increase your payments by 3–8% per year (up to age 70). If your budget allows delaying for a few extra years, you could significantly increase the cumulative benefits you will receive over your lifetime.

> Whether you got a late start on saving for retirement or are hoping to boost your savings during your working years, there are techniques you can use to close the retirement gap. Navy Mutual is here to help you plan for the long haul. To learn more about our life insurance and annuity

products, schedule an appointment with a representative **here** or email us at **counselor@navymutual.org**.