Four Components of a Financially Secure Retirement

Most people identify a financially secure retirement as one of their primary financial goals. Reaching that goal can be easier by examining the four sources of income you can expect during retirement, and identifying the steps you can take now to increase each of those sources.

Social Security Retirement Benefits

The Social Security system has played a major part in Americans' retirement planning for decades. The current examination and debate over the future of the system will probably produce some changes for future retirees, but here are some basic facts to consider:

* Full Retirement Age – the age when you can start receiving "full" benefits is gradually moving from 65 to 67

* Early Retirement Age – at age 62, you can start receiving a reduced retirement benefit

* Average Retirement Benefits for retired couples for 2014 – about $2,111.

* Maximum Retirement Benefit for retired workers at full retirement age for 2014 – about $2,642.

Employer Retirement Plans

Recent tax law changes have significantly increased the amounts that can be accumulated in corporate retirement plans, especially 401(k) plans. 401(k) plans offer a powerful way to accumulate funds - the amount you defer into the plan reduces your current taxable income, the plan probably has an employer matching provision, funds within the plan can grow on a tax deferred basis and the limits for contributions are large.

* Employee deferral limit – $17,500 for 2014.

* Additional contribution limit for those ages 50 and over – $5,500 for 2014.

* Maximum total contribution limit (employee and employer) – $52,000 for 2014 for those under age 50 and $56,500 for those 50 and over

Contribute as much as you can to your 401(k) plan and especially try to contribute enough to get the full employer match. It is always beneficial to have your employer help you accumulate more funds.

Individual Retirement Accounts (IRAs)

Anyone with earned income can contribute to an IRA to supplement other retirement planning savings. Both regular IRAs and Roth IRAs provide for the tax deferred accumulation of funds within the accounts. Contributions to a regular IRA may be deductible if you do not participate in an employer sponsored retirement plan or if your income falls below certain levels. Roth IRA contributions can be made by individuals with income below certain levels. Contributions to Roth IRAs are not tax deductible, but Roth IRAs provide an additional benefit of their distributions not being subject to income tax and there is more distribution flexibility. In addition, individuals ages 50 and over can make additional annual contributions. Your tax advisor can help you better understand how the tax laws apply to your situation, but do not ignore this powerful retirement planning tool.

Other Savings

The final source of retirement income will be your other savings. Accumulations in savings accounts and investment accounts, while not enjoying the tax preferences of 401(k) plans and IRAs, are still a major component of most individuals' retirement income. Saving more and earning more on these funds can add greatly to your retirement lifestyle.

Consider taking advantage of automatic savings plans with monthly transfers to a savings account or investment account. Also, be sure that your investment strategy is sound with consideration given to your goals, your time horizons and your risk tolerance.